

# Annual Report 2020

Year ended March 31, 2020



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**Referenced Guidelines**

- *International Integrated Reporting Framework*,  
International Integrated Reporting Council (IIRC)
- *Guidance for Integrated Corporate Disclosure and  
Company-Investor Dialogue for Collaborative Value Creation*,  
Ministry of Economy, Trade and Industry

**Editorial Policy**

To foster a deeper understanding of JAPAN POST BANK’s corporate value among shareholders, investors and stakeholders, for this Annual Report we produced an integrated report that offers extensive information on management strategy and environmental, social and governance (ESG) as well as financial information.

Operating performance for the period from April 1, 2019 to March 31, 2020. The report also includes some activities outside this period.

This report is not a solicitation for the shares or other securities of the JAPAN POST GROUP. Furthermore, this report contains forward-looking statements, such as the Bank’s forecasts and targets. These statements were written according to the Bank’s judgment based on information available, forecasts, and assumptions made at the time when the report was created; they therefore encompass risks and uncertainties, and are not a guarantee of future results. You should bear in mind that actual business results may differ from those described in this report, because they are subject to a wide range of risks and factors such as changes in the assumed conditions relating to the business environment, economic and business trends, changes in laws and regulations, the occurrence of major disasters, fluctuations in the value of assets held by the Bank, and the impact of rumor and hearsay. The Bank undertakes no obligation to publicly update or revise any forward-looking statements in light of new information or future events. All finance-related figures and percentages in this report are rounded down for presentation, and therefore the totals may not be equal to the sum of the presented figures. The figures and percentages are information as of March 31, 2020, unless separately noted. Unless the context states otherwise, references in this report to “we,” “us,” “our,” the “Bank” or similar terms are to JAPAN POST BANK.

Unless otherwise individually noted, this integrated report contains non-consolidated numerical values.

Disclosure document

Financial information

**Financial Information**

 [https://www.jp-bank.japanpost.jp/en/ir/financial/en\\_ir\\_fnc\\_index.html](https://www.jp-bank.japanpost.jp/en/ir/financial/en_ir_fnc_index.html)

**IR Information**

 [https://www.jp-bank.japanpost.jp/en/ir/information/en\\_ir\\_inf\\_index.html](https://www.jp-bank.japanpost.jp/en/ir/information/en_ir_inf_index.html)

Non-financial information

**CSR Report**

 [https://www.jp-bank.japanpost.jp/en/csr/en\\_csr\\_csreports.html](https://www.jp-bank.japanpost.jp/en/csr/en_csr_csreports.html)

**Relationship with International Frameworks (SDGs)**

 [https://www.jp-bank.japanpost.jp/en/csr/en\\_csr\\_sdgs.html](https://www.jp-bank.japanpost.jp/en/csr/en_csr_sdgs.html)

**CSR (ESG) Data**

 [https://www.jp-bank.japanpost.jp/en/aboutus/activity/csr/data/en\\_abt\\_act\\_csr\\_dt\\_index.html](https://www.jp-bank.japanpost.jp/en/aboutus/activity/csr/data/en_abt_act_csr_dt_index.html)

**Corporate Governance Report**

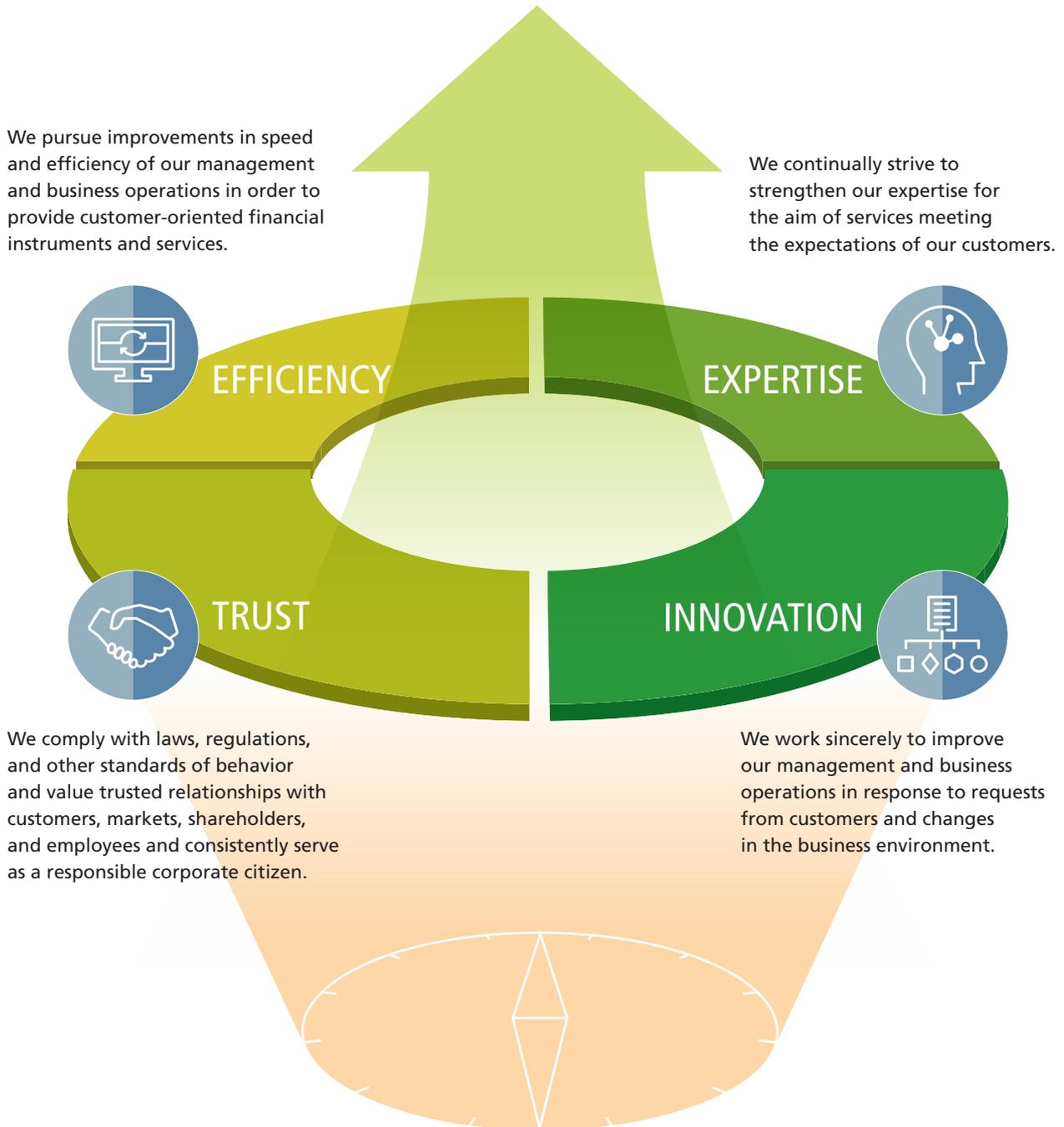
 <https://www.jp-bank.japanpost.jp/en/aboutus/company/pdf/report.pdf>

Annual Report

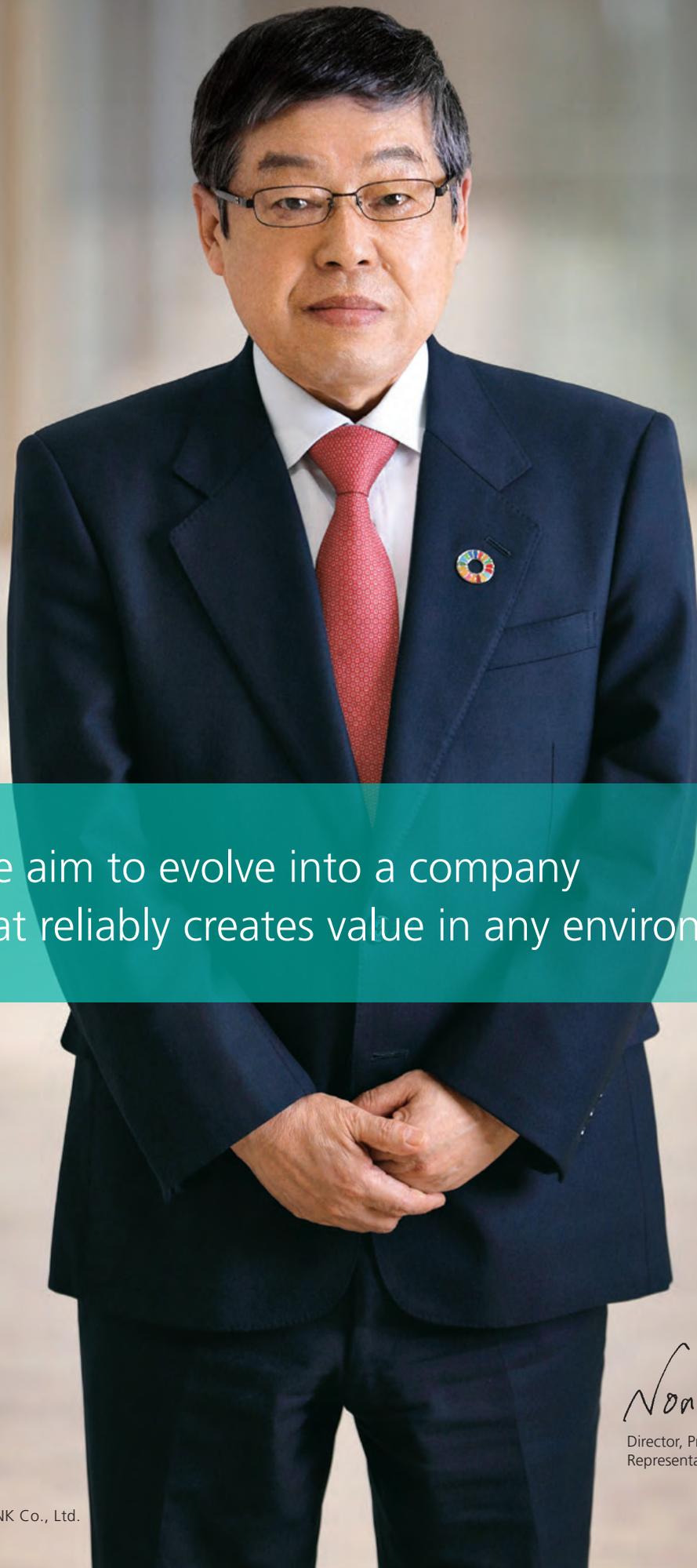


# Management Philosophy

JAPAN POST BANK aims to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers.



# To Our Stakeholders



“ We aim to evolve into a company that reliably creates value in any environment. ”

*Norito Ikeda*

Director, President and  
Representative Executive Officer

## To Our Stakeholders

Throughout the more than 140 years since the establishment of postal savings, the JAPAN POST BANK has been working alongside communities throughout Japan to create history and build trust in aiming for the development of both Japanese society and the nation's economy. Even after privatization, we have been fulfilling our mission under the management philosophy of "the most accessible and trustworthy bank in Japan," guided by the needs and expectations of our customers.

Despite this background, an internal rule violation was discovered in the investment trust sales business. We deeply apologize to our customers and all our stakeholders for the great inconvenience and concern this caused.

As measures to prevent a recurrence, we are working to strengthen the instilling of internal rules through training and other means, improving and upgrading our customer-oriented sales tools, strengthening our compliance and audit systems, and reviewing sales

targets. In addition, to continuously implement customer-oriented service improvements, we established the Service Improvement Committee, made up of relevant officers, as a special committee directly under the Executive Committee, with myself as chairperson. To work toward achieving appropriate governance for the JAPAN POST GROUP as a whole, we are collaborating with JAPAN POST HOLDINGS Co., Ltd. to devise ways to strengthen the Group's governance system. Taking responsibility, we the management team intend all the more to continue promoting and implementing customer-oriented business operations.

We will then once again return to the goal stated in our Medium-term Management Plan—to have more people say "JP Bank, of course"—and provide safe, convenient, and peace of mind products and services. We will humbly strive to restore everyone's trust in us, so please continue to support us.

## Evolving into a company that creates long-term value

Looking at the Bank's existing businesses from a long-term perspective, stable growth will not be as easy to achieve as it has been in the past. On the other hand, as a form of social infrastructure the Bank has a responsibility to continuously generate profits and provide services to customers all over the country. I am taking the lead in promoting efforts geared toward a restructuring of the existing business model and evolving into a company that can reliably generate value no matter what business environments lie ahead.

First of all, we will digitalize and optimize our existing businesses. Among them, the business we are focusing on the most is Yucho Pay, the QR-code payment service accessible via smartphone that we launched in 2019. QR-code payments offer the benefits of low terminal installation costs and low commission burden on the part of the stores. The service can thus be easily introduced in small-scale stores in local areas and is expected to spread rapidly. In addition to the financial industry, many companies are entering this growth market, and a tough competitive environment is expected as a result. The Bank does, however, possess the advantage of already holding more than 100 million accounts. By utilizing these accounts as a method of payment, we believe we will be able to establish a pivotal position in this market. In the years to come, we will continue to carry out updates to enhance security and add new functions so that our customers can use our services more safely, conveniently and with peace of mind.

It will also be important for us to reduce our operating costs and optimize business activities. As part of these efforts, we have been working to improve the efficiency of the savings counter operations at our branches, taking into account that the amount of business operations conducted at savings counters has been declining for the past few years.

We are also actively promoting the digitization of back-office work. One of these initiatives is the use of AI in the Administration Service Centers that assist post office staff in their administrative tasks through telephone operations. Having conducted a trial for one year, we have been able to accumulate a considerable amount of information and know-how, so we are planning to step up to the final stage on the way to full-scale operation.

The second policy is a win-win strategy that utilizes our infrastructure, networks and know-how as a platform for local communities, contributes to those local communities and even earns fees for the Bank. Most recently, there has been flexible sharing of ATMs implemented in collaboration with the Bank of Kyoto, The Kagoshima Bank, the Ehime Bank, and The Bank of Nagoya. As a result, the depositors of each bank will be able to use JAPAN POST ATMs either outside their region nationwide or in specific regions free of charge. Not only the depositors benefit but also the banks with which we are collaborating, as they can expand their ATM networks without having to newly invest in expensive ATMs.

Also, with regard to the back-office work of financial institutions, this is a field in which there is a lot of scope for facilitating streamlined operations by utilizing our platforms. Among these efforts, we have begun to work on operational process aggregation for tax and public money collection affairs, which until now had been handled individually by each financial institution. By implementing operational process aggregation entrusted from Kawasaki Shinkin Bank, the Bank is streamlining office tasks and assisting with the efficient management of the office equipment used and of personnel. We will continue to strengthen this kind of cooperation with regional financial institutions and aim to build relationships that enable us to grow together.

For the third and final policy, we will create new businesses that are not subject to the restraints of the Banking Act and bring about their growth into earnings pillars for the Bank. To succeed with this challenging

undertaking, it will be important to break away from conventional thinking, accept new ideas and operationalize those ideas with a sense of speed. Therefore, the creativity and motivation of young personnel will play a major role in this. To support and enable them to demonstrate their full potential as an organization under my direct control, we have formed project members centered on young human resources and are currently advancing the development of new businesses, such as in the digital field.

By steadily executing these three policies with a sense of speed, we will advance the foundation of the next medium-term management plan and evolve into a new JAPAN POST BANK that is capable of sustainable and unwavering growth.

\* "QR code" is a registered trademark of DENSO WAVE INCORPORATED

## FY2020/3 Results of Operations and State of Progress of Medium-term Management Plan

For the fiscal year ended March 31, 2020, despite a decrease in net interest income in the extremely challenging business environment where yen interest rates remained at a low level and the market environment deteriorated due to the spread of COVID-19, non-consolidated net income increased by ¥6.8 billion year on year to ¥273.0 billion due to an increase in net fees and commissions, etc. On a consolidated basis, net income attributable to owners of

parent was ¥273.4 billion, which equated to 101.2% of our earnings forecasts of ¥270.0 billion for the fiscal year ended March 31, 2020.

Amid the ongoing severity in the external environment, with the aim of overcoming the current situation we continuously implemented the three key strategies adopted in the Medium-term Management Plan in the fiscal year under review.

### Three Ways and Initiatives



### First way | Provision of High-quality Customer-oriented Financial Services

To meet the needs of customers for asset formation, we continued to increase the number of and conduct training programs for asset management consultants while strengthening consulting sales. In addition, in May 2019, the Bank, JAPAN POST HOLDINGS Co., Ltd., the Daiwa Securities Group Inc. and Daiwa Securities Co., Ltd. agreed to consider a new collaboration in the area of asset formation. The Bank has also started mortgage brokerage services provided by Sony Bank Inc. and Shinsei Bank, Limited to address mortgage needs. Going forward, we will continue to cooperate and collaborate with other companies to combine our know-how and technologies as well as maximize the Bank's potential while striving to provide "peace of mind" that meets the needs of each and every customer.

In FY2020, we launched services that included: Yucho Pay, the payment settlement service accessed by QR code; the Japan Post Bank Bankbook App, which allows customers using our general account to check their current balance as well as deposit and withdrawal details at any time using a smartphone; and Yucho Biz Direct, an Internet banking service geared toward corporate customers. We will strive to provide "new convenience" by utilizing digital technologies and other initiatives.

### Second way | Diversification and Sophistication of Investment Management

While the domestic low interest rate environment continued and the uncertainty in the global economy increased, we promoted internationally diversified investments under appropriate risk management to secure stable revenues. Although the market environment had undergone significant change due to the spread of COVID-19 infections, in March 2020, after having confirmed the impact on the Bank, we discussed investment policies and risk management systems and responded appropriately. Although the global economy is expected to become more turbulent in 2020, we will build an investment system from a long-term perspective and aim to secure sustainable profits even under these circumstances.

### Third way | Funds Flow to Regional Communities

Supported by its regional customers, JAPAN POST BANK has been continuing its business with them throughout its 140-year business history. We recognize the Bank's unchanging mission is to bear responsibility for the future of local communities and to help bring about their revitalization. We have participated in regional vitalization funds since 2016 and have expanded participation to 28 funds as of the end of March 2020. The Bank intends to continue to circulate important customer funds to communities, to further deepen cooperation with regional financial institutions, including in the sharing of ATM networks and the use of common administration, and also contribute to the regions from a range of perspectives.

## Solving Social Issues while Building a Sustainable Society

Japan is currently confronting a variety of challenges, including a declining birthrate and an aging population, over-concentration of its population in the Tokyo Metropolitan Area, shrinking local economies, the promotion of household asset formation, climate change, diversity and work-style reform, to which can now be added the COVID-19 outbreak. If you regard the situation outside Japan, the United Nations adopted the Sustainable Development Goals (SDGs) in 2015. Rather than pursuing economic value alone, companies must now, more than ever before, be able to assist in resolving these social issues. For its part in helping to solve problems, the Bank set goals to be achieved in four SDG themes: Customers & Markets, Regional Communities, Environment, and Employees (Diversity Management). In addition to making this commitment to our stakeholders, we are working to instill these SDGs within the Company so that all employees can reflect them in their business tasks. In April 2020, we established the ESG Team within the Corporate Planning Department to strengthen the system to support these activities.

The COVID-19 outbreak has served to highlight that companies are social entities that are closely related to people's daily lives and brought them close together once more. In cooperation with the JAPAN POST GROUP, we have introduced a raft of infection prevention measures and put in place internal systems to enable us to continue providing the services that customers need to maintain social functions, such as cash deposit/withdrawal and payment operations. Henceforward, we will work to prevent the spread of infection while striving to fulfill the social missions required of us as a part of the "New Lifestyle."

With regard to the environment, one of the four themes mentioned above, we believe that further strengthening of activities is especially essential. Although CO<sub>2</sub> emissions are temporarily stagnant, they will continue to increase, global warming is progressing, and the resultant natural disasters are occurring frequently all over the world. These climate changes and economic activities are closely related, and will naturally have a major impact on our future. In recognition of this, the Bank endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2019.

“ We will meet all stakeholders’ expectations, while sustainably creating economic value and corporate value. ”

In May 2019, we participated in the TCFD Consortium, a forum for discussing effective information disclosure and other themes. At the present time, we are advancing the analysis and examination of the important elements defined by TCFD, namely governance, strategy and risk management as well as metrics and targets.

Holding assets under management totaling more than ¥200 trillion, the Bank is also one of the largest asset

owners in Japan. From an investment perspective thus having a great impact on the world, in light of demands for social issues, we disclosed our ESG Investment Policy in 2019, which states that “when promoting internationally diversified investment, we will make investments that take into account country-specific considerations, such as various international agreements,” and are operating on the basis of that policy.

## Personnel Capabilities Essential to Shift Up for Growth

The environment surrounding the Bank continues to be unpredictable due to the prolonged low interest rates and the impact of COVID-19, which is menacingly spreading around the world. Personnel capabilities will, to say the least, be essential in riding out the storm of this turbulent external environment and shifting up to the next growth phase. The hiring and career development of talented employees is a major proposition for the Bank. On that basis, we have already been putting a great deal of effort into creating working environments where diverse personnel are able to demonstrate their talents, for example by means of Yucho IkuBoss training, the introduction of teleworking, and promoting male participation in childcare. In addition to further strengthening career development support through various training and e-learning programs, in the years to come we will work to raise employee motivation and improve productivity by means of flexible work-styles

—including the active utilization of the teleworking arrangements triggered by the COVID-19 outbreak—in combination with personnel evaluations that feature an increased level of sophisticated productivity improvement.

We also have great expectations of young human resources, especially those who will carry the weight of the Bank’s future on their shoulders. Having actively made appointments to the abovementioned new business project, I am providing direct guidance in order for them to develop from an early age the abilities that they will increasingly need in the years ahead, such as the ability to create new businesses, a long-term and comprehensive outlook, and the ability to speedily execute business tasks. While continuing to actively invest funds and time in personnel, we are aiming to build a robust organization in which each and every one of the more than 12,000 JAPAN POST BANK employees can demonstrate his or her potential to the maximum extent.

## Governance System with External Perspectives

JAPAN POST BANK has established nomination, audit and compensation committees provided under Japan’s Company Law. With eight outside directors and four internal directors, outside directors account for more than half of the 12-member Board of Directors, and we make swift and decisive decisions under the supervision of and backed by diverse experience, specialized skills, and objective perspectives of the outside directors.

In addition, concerning the Bank’s top four risks\*<sup>1</sup> that were established last year—“money laundering and terrorist financing”, “cyber attacks”<sup>\*2</sup>, “advancements in technology and diversification of customer needs”, and “natural disasters”—the Board of Directors discusses future policies based on regular checks of the situation. Particularly with regard to natural disasters, we have prepared specific business continuity plans (BCPs) and conducted training exercises that have simulated different scenarios, such as earthquakes and typhoons. Against this backdrop, a pandemic occurred due to COVID-19. On the basis of,

for example, the Bank’s BCP relating to new strains of influenza and the basic government policy for dealing with COVID-19, we are currently giving maximum priority to rolling out a rapid response to ensure the safety of our customers, business partners, and all employees, and are continuing our operations by making use of teleworking and other means. In addition, with regard to violations of internal rules in the investment trust sales business, and there having been recommendations from several outside directors that there is an urgent need to ensure that feedback from the front line is received by and among top management, and we are thus working to put a system in place.

In the years to come, we will work to further enhance discussion by additional clarification of the points at question and important issues so that the Board of Directors can demonstrate its supervisory function to the maximum extent.

\*1 Risks that pose a particularly serious threat to management

\*2 Cases in which a person or persons illegally attack a computer system or network with malicious intent, for example to steal or destroy data or execute malicious programs.



## Creating Value and Making Returns to All Shareholders

The parent company of JAPAN POST BANK, JAPAN POST HOLDINGS Co., Ltd., owns approximately 89% of the Bank's shares. In addition, the Japanese government holds more than 50% of the shares of JAPAN POST HOLDINGS Co., Ltd. In this way, the Bank has a capital structure that differs from that of general listed companies.

Consequently, we recognize that it is extremely important not only to of course protect minority shareholders, but also to gain the understanding of the Bank and the JAPAN POST GROUP. Providing as many opportunities for dialogue as possible, we offer explanations and exchange opinions, including on management strategies and with regard to ESG, until all shareholders and investors are satisfied. What has impressed me most during dialogues was that, to an unprecedented extent, everyone is expecting a social role from us. The Bank has features not seen in other types of bank, such as a nationwide

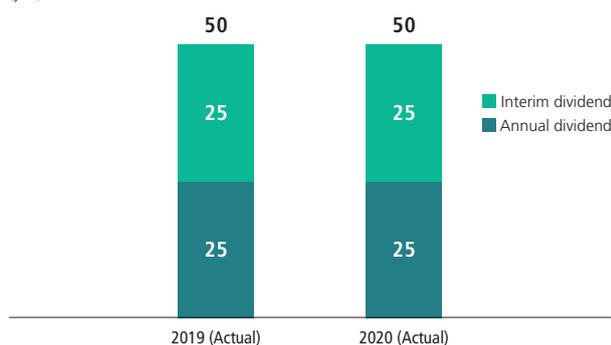
financial network, huge operating funds, and an enormous number of accounts held. There are also many things we alone can do, such as contributing to local communities by taking advantage of these features. In other words, for the very reason that the Bank has a great influence on society and the economy, its impact must be positive, and we are also responsible for ensuring that the world of the future will take a better direction.

I will be devoting all my energy to meeting all such stakeholders' expectations, while sustainably creating economic value and corporate value and making returns to all shareholders. I would like to thank our shareholders and investors and ask for their continued support and understanding in the days ahead.

July 2020

### Dividends Per Share

For the fiscal year ended March 31,  
(yen)



Director, President and  
Representative Executive Officer  
JAPAN POST BANK Co., Ltd.

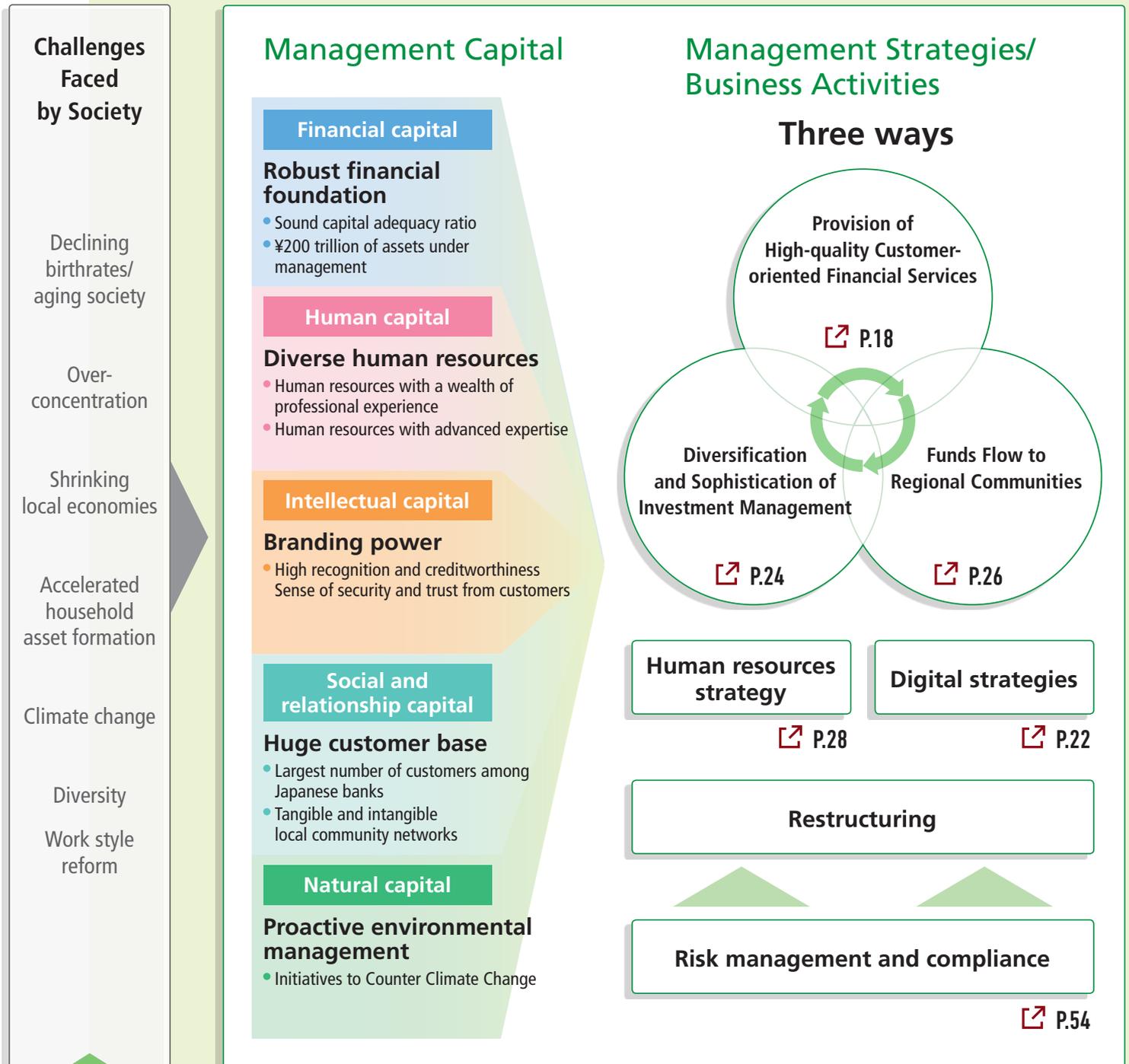
# Value Creation Process

JAPAN POST BANK sees the challenges faced by society as management opportunities to create economic and social value.

## Management Philosophy

JAPAN POST BANK aims to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers.

**TRUST / INNOVATION / EFFICIENCY / EXPERTISE**



Solving Social Issues

# Realization of its goals

## Have more people say “JP Bank, of course”

### Value Delivered to Stakeholders

#### Shareholders



- Economic value creation (FY2020/3, non-consolidated)

Gross Operating Profit

**¥1,314.2 billion**

Net Ordinary Income

**¥379.0 billion**

Net Income

**¥273.0 billion**

Market Capitalization

**¥4.4 trillion**

Dividends Per Share

**¥50** (annual)

(as of March 31, 2020)

Financial Highlights P.14

#### Customers



- Provide safe, convenient, and peace of mind community-based services to all customers.

Relevant SDGs



Customers & Markets P.32

#### Regional communities



- Vitalize regional economies by flowing funds to regional communities and addressing the need for going cashless.
- Contribute to the future of regional communities by providing education to children.

Relevant SDGs



Regional Communities P.34

#### Environment



- Reduce the environmental impact of society overall through financial products.

Relevant SDGs



Environment P.35

#### Employees



- Create lively, employee-friendly working environments where each individual employee can demonstrate their full potential.

Relevant SDGs



Employees—Diversity Management P.37

# The Path of Value Creation

The history of JAPAN POST BANK extends back over 140 years. From a state-owned organization to a privately owned organization, the Bank has changed along with the times, though we have never wavered from our commitment to meet the expectation of our customers as the most accessible and trustworthy bank in Japan. With customers around the country using our services, we remain committed to maintaining the current value creation process and will continue to promote stable economic growth and the stable formation of assets for our customers.

**1885**

**Ministry of Communications**



Photo courtesy of Postal Museum Japan

**2001**

**Postal Services Agency**



Photo courtesy of Postal Museum Japan

**2003**

**JAPAN POST**

(Nippon Yusei Kosha, government-owned corporation)



**1949**

**Ministry of Posts and Telecommunications**

**1875**

- Postal money order service established
- Postal savings service established

**1885**

- Ministry of Communications established

**1906**

- Money Transfer service established

**1941**

- TEIGAKU (fixed-amount) deposits introduced

**1949**

- Ministry of Posts and Telecommunications established

**1981**

- Automatic teller machines (ATMs) for postal savings introduced

**1999**

- ATM/CD alliance service with private sector financial institutions launched

**2001**

- Alongside the reorganization of ministries and agencies, the Ministry of Posts and Telecommunications, the Ministry of Home Affairs, and the Ministry of Public Management consolidated to form the Ministry of Internal Affairs and Communications and the Postal Services Agency

**2003**

- JAPAN POST (Nippon Yusei Kosha, government-owned corporation) established

**2005**

- Taking of applications for sales of investment trusts began

**2006**

- JAPAN POST HOLDINGS Co., Ltd. established as a preparatory company

We will continue to take up the challenge of becoming  
**“the most accessible and trustworthy bank in Japan.”**

# 2018

## Medium-term Management Plan announced

(FY2019/3 to FY2021/3)

# 2007

## JAPAN POST BANK (Privatized)



# 2015

## Shares listed on First Section of Tokyo Stock Exchange

### 2007

- JAPAN POST GROUP established
- Approval granted for new services (syndicated loans [participatory], acquisition or transfer of loans, interest rate swap transactions)

### 2008

- Approval granted for new services (credit card business, taking of applications for variable annuities policies, mortgage intermediary operations)
- Investment in SDP CENTER Co., Ltd. (Currently JAPAN POST BANK LOAN CENTER Co., Ltd.)
- Launch of "JP BANK CARD"
- Launched mortgage intermediary operations
- Began taking of applications for variable annuities policies for individuals

### 2009

- Began currency exchange transactions with other financial institutions via Zengin Data Telecommunication System

### 2013

- Investment in ATM Japan Business Service., Ltd.

### 2015

- Investment in JP Asset Management Co., Ltd.

### 2016

- JAPAN POST HOLDINGS Co., Ltd. and FamilyMart Co., Ltd. reached a basic agreement on a business tie-up
- Invested in the first regional vitalization fund
- Issuance of regional prepaid VISA card, "mijica"

### 2017

- Established the basic policy of customer-oriented business operations
- Approval granted for new services (overdraft service, operations related to cooperation with regional financial institutions, etc., market investment related business)

### 2018

- Established Japan Post Investment Corporation
- Contract signed covering installation of Japan Post Bank ATM in Aozora Bank branches

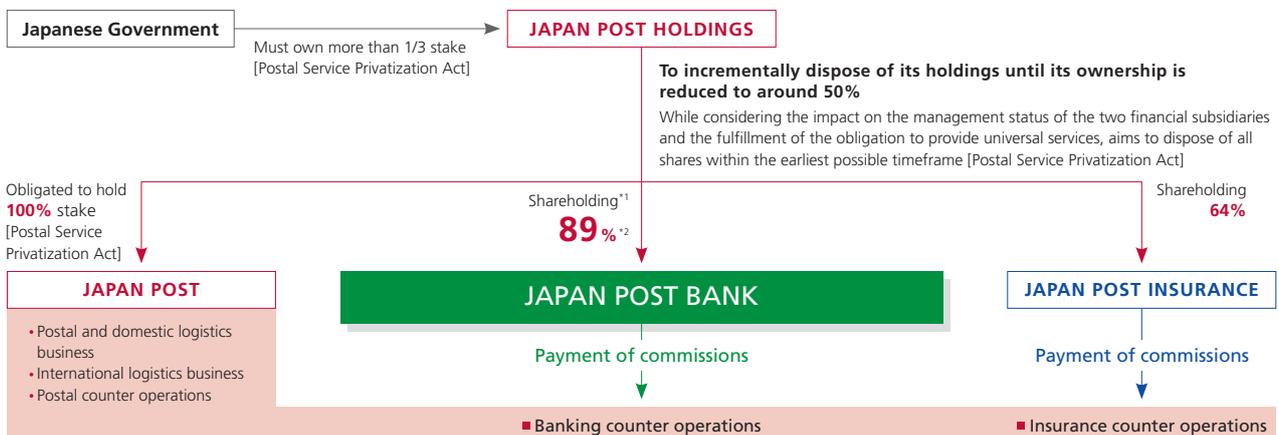
### 2019

- Launched transactions of "Yucho Pay" smartphone settlement service
- Began housing loan agency service for Sony Bank Incorporated

### 2020

- Began housing loan agency service for Shinsei Bank, Limited
- Launched "the Japan Post Bank Bankbook App" service

### Current JAPAN POST GROUP Structure (As of March 31, 2020)



\*1: Shareholding of JAPAN POST HOLDINGS more than 50%

→ New services: licensing system 50% or less

→ New services: notification system

Shareholding of total issued shares excluding treasury stock

\*2: Shareholding relating to total outstanding shares excluding treasury stock

# Features for Creating Value

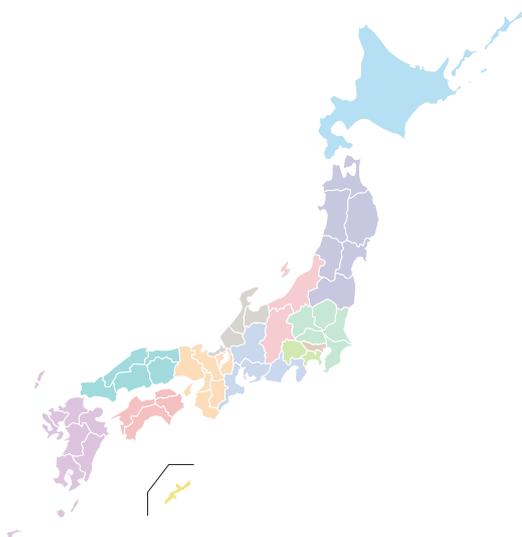


## Huge network connecting customers nationwide

Numbers of branches / ATMs in Japan

Regions	Number of branches	Number of ATMs	Regions	Number of branches	Number of ATMs
Hokkaido Region	1,473	1,827	Tokai Region	2,342	3,881
Tohoku Region	2,532	2,811	Kinki Region	3,419	5,015
Kanto Region	2,564	3,743	Chugoku Region	2,204	2,386
South Kanto Region	1,022	1,732	Shikoku Region	1,138	1,357
Tokyo Region	1,476	3,215	Kyushu Region	3,392	3,294
Shinetsu Region	1,294	1,391	Okinawa Region	194	269
Hokuriku Region	831	1,084			

\*1: The number of branches includes the following.  
 (1) Branches directly managed by JAPAN POST BANK  
 (2) Post offices contracted by JAPAN POST BANK (including sub-offices)  
 (3) Contracted post offices in which JAPAN POST re-entrusts our banking agency services  
 \*2: Does not include the number (one) of mobile post offices (in Yamaguchi Prefecture).



Number of domestic branches

**23,881**

Number of ATMs

**32,005**

Number of partner financial institution cards usable at ATMs

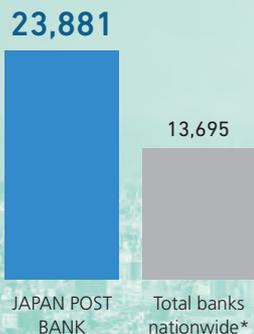
Cards of approx.  
**1,400** companies

Number of ordinary deposit accounts

Approx. **120** million

## Overwhelming Presence in Japan

Domestic branch network comparison (as of March 31, 2020)  
(branches)

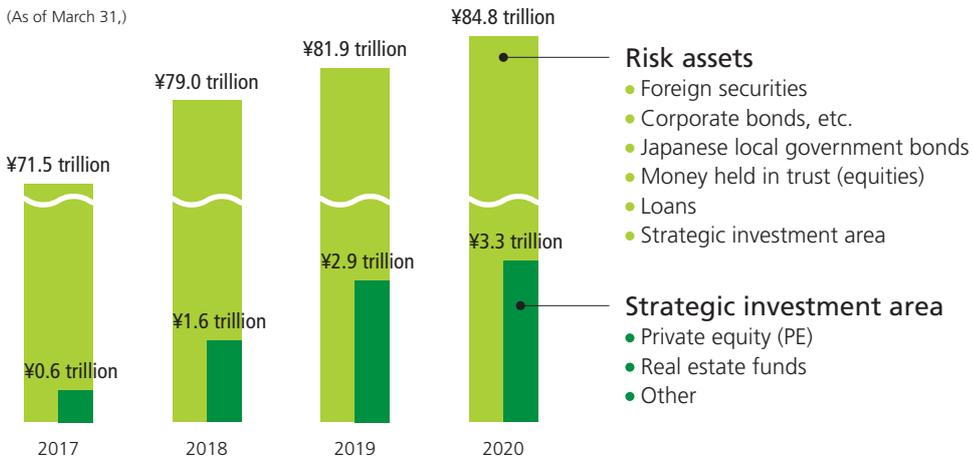


Source: Japanese Bankers Association website "Financial Statements of All Banks (Capital, Number of Branches, Number of Banking Agencies, List of Officers of All Banks)"  
 \* The total number of banks in Japan is accurate as of September 30, 2019

# Management Scale

## Advanced and Diversified Management of Assets under Management

JAPAN POST BANK promotes internationally diversified investments based on appropriate risk management in order to ensure stable profits. Our balance of risk assets, which had stood at ¥81.9 trillion as of March 31, 2019, increased to ¥84.8 trillion as of March 31, 2020. This included a balance of strategic investments of ¥3.3 trillion.



¥207.5 trillion



¥84.8 trillion



¥857.3 billion

(As of March 31, 2020)

### Ensuring Financial Soundness while Increasing Level of Sophistication and Enhancing Diversification in Investment Management

#### Capital adequacy ratio (Domestic Standard)

(As of March 31,)



#### Credit Ratings

(As of March 31, 2020)

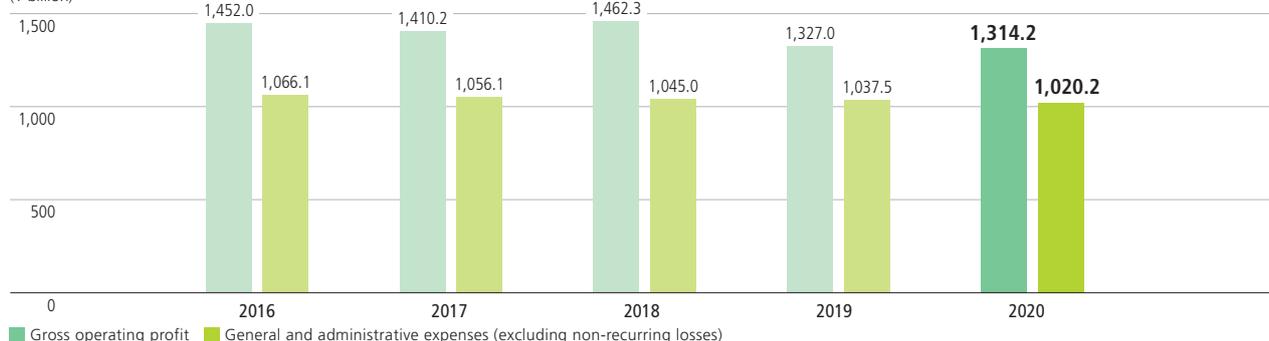
	Long-term	Short-term
Moody's	A1	P-1
S&P	A	A-1

# Financial Highlights (Non-Consolidated) / Nonfinancial Highlights

## Gross Operating Profit/General and Administrative Expenses

For the fiscal year ended March 31,

(¥ billion)



## Net Ordinary Income

For the fiscal year ended March 31,

(¥ billion)



## Net Income

For the fiscal year ended March 31,

(¥ billion)



## Total Assets

As of March 31,

(¥ trillion)



## Total Net Assets

As of March 31,

(¥ trillion)



## External Assessments

### MSCI Japan Empowering Women Index (WIN)

JAPAN POST BANK has been selected as a constituent brand name of the MSCI Japan Empowering Women Index (WIN), which was developed for environmental, social and governance (ESG) investment.



2019 Constituent  
MSCI日本株  
女性活躍指数 (WIN)

THE INCLUSION OF JAPAN POST BANK CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF JAPAN POST BANK CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES.  
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

### Platinum Kurumin

In recognition of its activities of an even higher standard, JAPAN POST BANK was certified by the Ministry of Health, Labour and Welfare as a "child rearing support company" in February 2019.



### Certified Health and Productivity Management Organization 2020

JAPAN POST BANK was certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council) as a corporation practicing good health management.

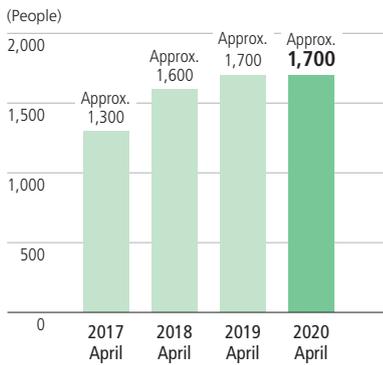


### Euronext Vigeo Eiris World Index 120

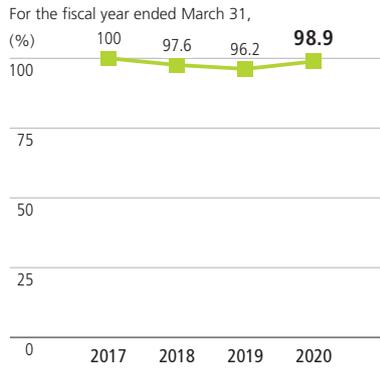
JAPAN POST BANK is one of a select number of companies to be included in the Euronext Vigeo Eiris World Index 120.



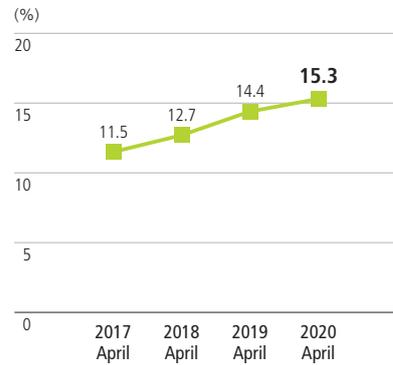
### Consulting Marketing Personnel



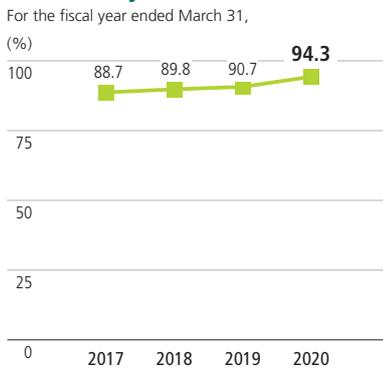
### Childcare Leave Return Rate



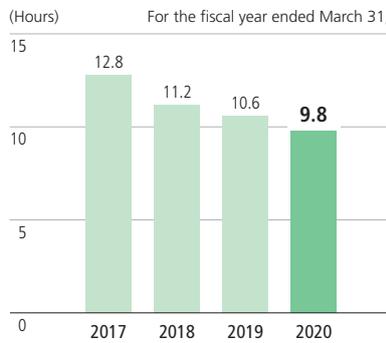
### Percentage of Women in Managerial Positions



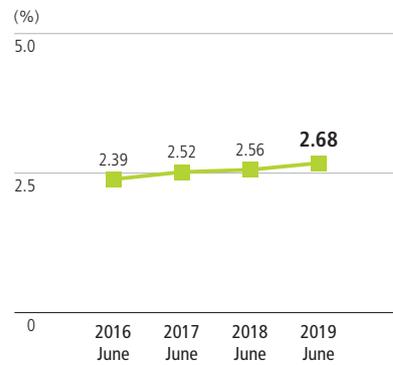
### Paid Holiday Utilization Rate



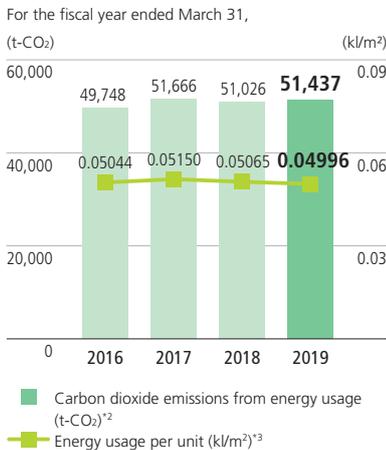
### Average Number of Overtime Working Hours\*



### Percentage of Employees Who Are People with Disabilities



### Volume of CO<sub>2</sub> emissions\*<sup>1</sup>



\* Monthly average number of overtime working hours calculated on a fiscal year basis.

\*1 The scope of data compilation covers JAPAN POST BANK on a non-consolidated basis. Calculated in accordance with the greenhouse gas emissions calculation, reporting, and disclosure system, which is based on the Law Concerning Promotion of the Measures to Cope with Global Warming.

\*2 Carbon dioxide emissions is the total sum of energy usage multiplied by a pre-determined emissions index for each class of energy.

\*3 Energy usage per unit is the total crude oil equivalent of energy used divided by the total floor area utilized by JAPAN POST BANK.

In April 2019, the Bank announced the support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD\*).

For details, please see page 35.



\* An organization established under the recommendations of the Financial Stability Board for the purpose of enhancing corporate information disclosure relating to climate change. In June 2017, the TCFD published a proposal on voluntary information disclosure with regard to climate-related financial information.

### Tomonin

In November 2016, JAPAN POST BANK was accredited by the Ministry of Health, Labour and Welfare for its activities as a company promoting the development of work environments that enable the balancing of work and nursing care.



### Characteristic Approach Case Study Category for Financial Institutions Contributing to Regional Revitalization

"MBC Shisaku 1 LP," in which JAPAN POST BANK participates together with regional financial institutions, was adopted as a "Characteristic Approach Case Study Category for Financial Institutions Contributing to Regional Revitalization" certified by the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan, and received an award from the Cabinet Office Minister of State for Special Missions (local economy revitalization). (March 26, 2019)

### PRIDE Index Gold

In the fiscal year ended March 31, 2020, JAPAN POST BANK was awarded the highest gold evaluation for the second year in a row in the PRIDE Index with which "work with Pride"—an organization that respects the encouragement and establishment of diversity management for the LGBT community—evaluates the efforts of companies.



### Nikkei Smart Work Management Survey

During the 3rd Nikkei Smart Work Management Survey, which selects companies leading advances in productivity innovation through work style reforms, JAPAN POST BANK received 3.5 stars.

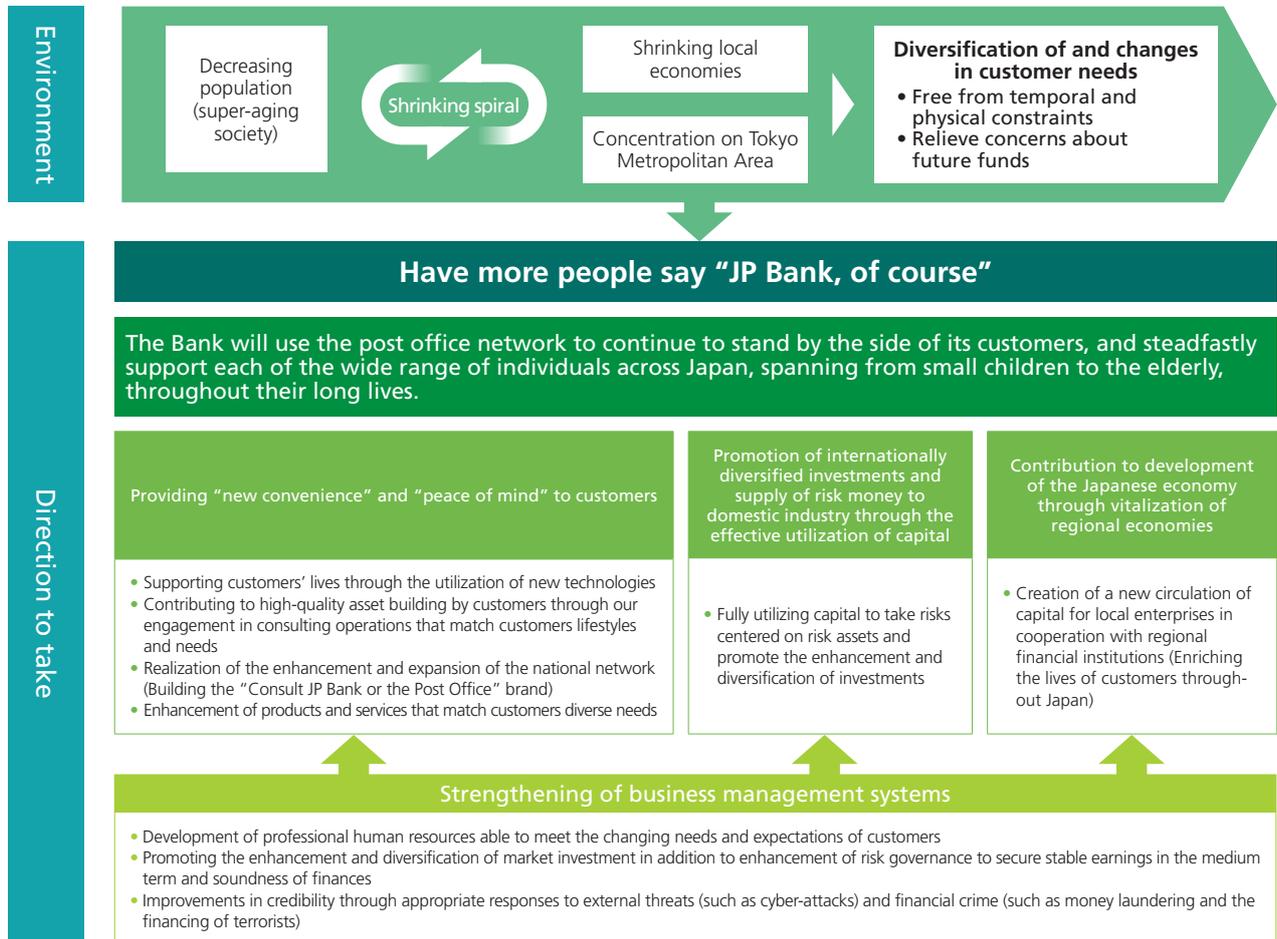


# Medium-term Management Plan

## Environmental Awareness and Direction of Initiatives

Even amid changes in the environment, including a shrinking economy spiral and diversification of and changes in customer needs, we will build Japan Post Bank's brand toward "providing 'new convenience' and 'peace of mind' to customers," "promotion of internationally diversified

investments and supply of risk money to domestic industry through the effective utilization of capital" and "contribution to development of the Japanese economy through vitalization of regional economies."



## Response to COVID-19

Amid the spread of infection by COVID-19, we set up a Crisis Management Committee, and in cooperation with Head Office-Group Joint Countermeasures Headquarters formed of Japan Post Group companies, we have introduced measures to prevent the spread of infection and put in place an internal operational framework to ensure that we can continue to provide services that customers need to maintain the function of society, such as cash deposits and withdrawals and settlement services. We will

continue to make efforts to prevent the spread of infection and ensure the continuity of important operations.

Until the turmoil in financial markets that has coincided with the spread of COVID-19 comes to an end, we will promote ALM (Asset Liability Management) and investment operations in a restrictive manner that reduces risks.

We will also consider providing capital support to companies across the country affected by the spread of COVID-19.

### Addressing Business Continuity and Ensuring Safety

#### Ensuring Business Continuity Systems

- All post offices, JAPAN POST BANK branches, and ATMs will continue to operate in principle
- Critical operations that are necessary for customers' daily lives will be continued through flexible staffing and backup from multiple locations

#### Measures to Prevent the Spread of Infection

- Initiatives will be implemented to ensure the safety of customers and employees

### Addressing ALM and Investment Operations

Promote in a restrictive manner that reduces risks until the end of turmoil in financial markets

When we see the prospect of the end of the turmoil, focus on making additional profits within a range of acceptable risk while keeping an eye on market trends

### Addressing the Flow of Funds to Regional Communities

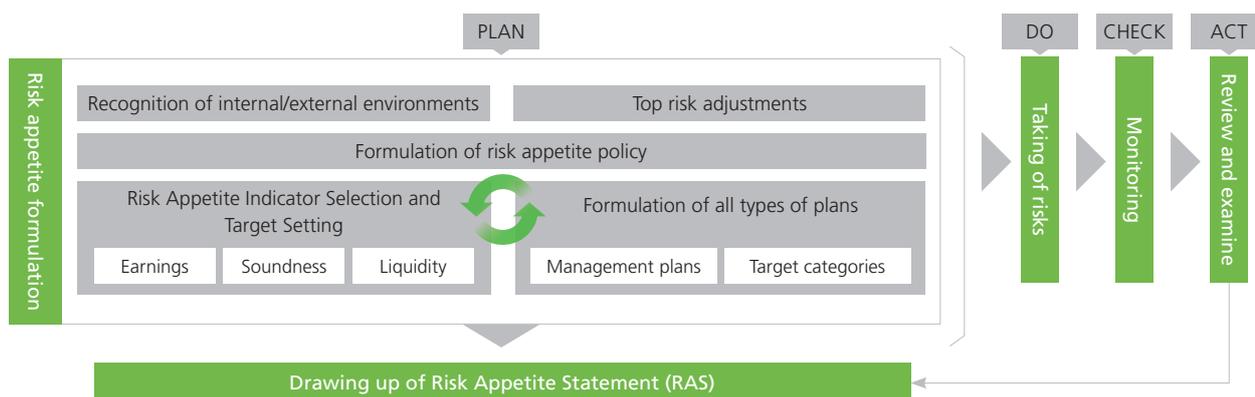
Consider providing capital support to companies across the country affected by COVID-19

## Risk Appetite Framework\*

The Bank introduced a Risk Appetite Framework (RAF) to ensure profitability over the medium to long term and financial soundness. Based on the RAF, risk appetite policies and indicators as well as top risks are discussed in conjunction with the formulation of management plans.

\* Risk appetite = A term used to describe the framework for strengthening risk governance. This framework encompasses the means necessary to ensure the effectiveness of the supervisory function (Board of Directors) by clarifying and visualizing the appropriate types and levels of risk that should be addressed in order to secure medium- to long-term profitability and financial soundness.

### Risk Appetite Framework Management Process



JAPAN POST BANK selects the top risks that we recognize as potentially having a particularly significant impact on our business, performance, and financial position. These risks are selected following deliberation by the Board of Directors and Executive Committee within the risk appetite framework and in consideration of their degree of impact and probability.

Moreover, we reflect the actions we take against the selected risks in our RAF-based management plans, and take additional action as necessary following regular checks of the control status.

Top risk	Main measures
<b>Market/Credit/Liquidity risk, etc.</b>	<ul style="list-style-type: none"> <li>• Implement flexible portfolio management that considers changes in the market environment and risk-return, etc.</li> <li>• Utilize specialized human resources</li> <li>• Strengthening of risk management system</li> </ul>
<b>Governance/Misconduct risk (Inappropriate sales of asset management products, etc.)</b>	<ul style="list-style-type: none"> <li>• Promote "customer-oriented business operations (fiduciary duty)"</li> <li>• Strengthen compliance guidance and training</li> </ul>
<b>Cyber attacks</b>	<ul style="list-style-type: none"> <li>• Establish specialized departments and assign human resources with expertise</li> <li>• Improve multilayered defenses and detection measures</li> </ul>
<b>Money laundering/Terrorist financing</b>	<ul style="list-style-type: none"> <li>• Strengthen actions, including taking customer management measures, detecting and reporting suspicious transactions, and reviewing products and services</li> </ul>
<b>Advancements in technology, Customer needs diversification</b>	<ul style="list-style-type: none"> <li>• Utilize new technologies and promote digitalization</li> </ul>
<b>Large-scale system disruptions</b>	<ul style="list-style-type: none"> <li>• Formulate contingency plans in preparation for unexpected situations, and conduct emergency response training</li> </ul>
<b>Major disasters, pandemics</b>	<ul style="list-style-type: none"> <li>• Take action to prevent the spread of COVID-19 and ensure continuity systems for critical businesses</li> </ul>
<b>Harassment, improper duties, time management, and other labor and labor-management issues</b>	<ul style="list-style-type: none"> <li>• Strengthen guidance and training for human resources management issues, such as human rights issues including harassment, human resources treatment, and work management, etc.</li> </ul>

# Business and Human Resource Strategies

BUSINESS STRATEGIES

01

## Provision of High-quality Customer-oriented Financial Services



**Masahiro Murashima**  
Senior Managing Executive Officer

**We support the lives of and continue to move forward together with each of our customers.**

Our goal is for customers to be able to live comfortably, and to that end JAPAN POST BANK undertakes a variety of initiatives that contribute to asset formation over the medium and long term. To accomplish this, we foster human resources that are capable of providing consulting services in tune with the lifestyles of customers and, in alliance with the nationwide post office network, are building the “Consult JP Bank or the Post Office” brand.

In addition, we are enhancing “Yucho Pay”, “the Japan Post Bank Bankbook App”, and other smartphone services as a means of advancing digitalization in a way that addresses changing social needs, thereby providing “new convenience” for the daily lives of our customers.

### Medium-term Management Plan KPIs

**Net fees and commissions**  
FY2018/3 vs FY2021/3



### Achievements for Fiscal Year Ended March 31, 2020

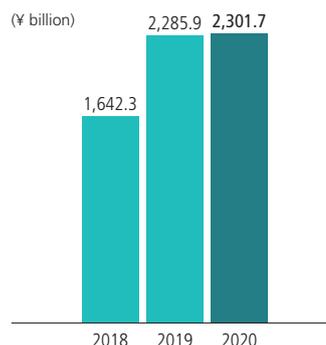
#### Strengthening Consulting Operations

In order to meet the needs of customers and help them build their assets, we have worked to upgrade our consulting services according to the life plans of customers.

Specifically, we focused on human resource development by continuing to increase the number of financial consultants and enhancing guidance, training, and support for activities of financial consultants. In addition, the Bank, Japan Post Holdings Co., Ltd., Daiwa Securities Group Inc., and Daiwa Securities Co., Ltd. reached an agreement in May 2019 to consider a new collaboration in the area of asset building to support medium- to long-term asset building that meets the lifestyle needs of individual customers.

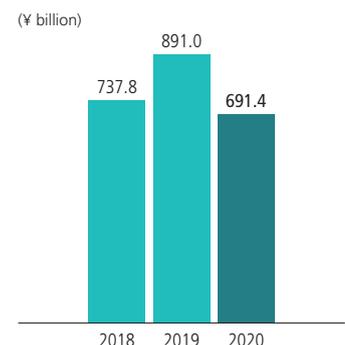
**Investment trusts (net asset balance)**

As of March 31,  
(¥ billion)



**Investment trusts (sales amount)**

For the fiscal year ended March 31,  
(¥ billion)



## Enhancing Settlement Services

### Yucho Pay

With regard to the “Yucho Pay” smartphone settlement service, we are promoting efforts that include the cultivation of companies that will introduce Yucho Pay, its more widespread use as well as the expansion and enhancement of services.

 For details, please see pages 21 and 23.

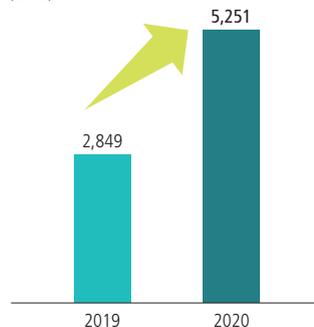


### ATM Business Strategy

Expanding and enhancing its ATM network, JAPAN POST BANK is moving forward to install and change over ATMs to locations that are highly convenient so that customers can use them with greater ease. With an eye on the increase in tourists visiting Japan, compact ATMs, which can be operated in 16 languages, have been rolled out to convenience stores (FamilyMart), as well as airports and other locations that serve a large number of foreign customers. In addition, we have begun to introduce ATMs with a bank passbook carry-over function.

Furthermore, JAPAN POST BANK is also actively promoting alliances with regional financial institutions. We are, for example, using our network to replace ATMs at regional financial institutions with those of JAPAN POST BANK.

Compact ATM installation  
As of March 31,  
(Units)



The 16 languages supported by compact ATMs

Japanese, English, Chinese (simplified), Chinese (traditional), Korean, Thai, Malaysian, Filipino, Indonesian, Vietnamese, French, German, Portuguese, Spanish, Russian, and Arabic



## Partnership

### Housing Loan Agency Services for Sony Bank and Shinsei Bank

In order to meet the housing loan needs of our customers, we began housing loan agency service for Sony Bank Incorporated in October 2019 and for Shinsei Bank, Limited in March 2020 at 41 branches directly managed by JAPAN POST BANK. By leveraging the know-how and technology of both banks together with our nationwide network, we will deliver new value to our customers.



## Major Initiatives Aimed at Achieving the SDGs



### Establishing the Service Improvement Committee

#### Relevant SDGs



We established the “Service Improvement Committee” chaired by the President and Representative Executive Officer for the purpose of identifying issues in all of our products and services and of building a system to consider and implement countermeasures for these as a means of better promoting and putting into practice customer-oriented business operations.

 For details, please see page 32.

## Special Feature 1 Promoting B to B Business

Vigorously supporting the  
business of our customers

JAPAN POST BANK is enhancing its remittance,  
settlement, and other services in order to support  
local governments and business owners.

### Yucho Biz Direct (Internet banking service for corporate customers)

This service allows users to access balance inquiry, bank transfer, money transfer, and other online services, as well as access general bank transfer, payroll transfer, automatic payment, and other data transmission services, while in their office.

Because business owners can choose plans that correspond to their needs, we are able to provide efficient fund management services, including more efficient collection operations and fund transfers.

\* Yucho Biz Direct is an internet banking service for corporate customers that allows these customers to use online services, including inquiries and remittances, as well as transmission services, including general payments made by bank transfer and payroll transfers, from a personal computer over the internet.

振込手数料が高くて…

月額料金は安いと助かるんだけど…

インターネットはやっぱりセキュリティが心配…

入出金の明細がすぐに分かるといいんだけど…

パソコン操作にはちょっと自信がないな…

複数人で確認してから送金できたら安心なんだけど…

**新サービス!**

**ゆうちょ Bizダイレクト** がすべて解決!

いつでも簡単に振込可能!  
操作案内は  
コールセンターがサポート

安価な手数料で、  
低コストを実現!

充実のセキュリティで安心!  
ワンタイムパスワード認証、  
複数名承認等

LOW COST

SECURITY

## Yucho Pay

On May 8, 2019, we launched the new Yucho Pay settlement service, which can be accessed by smartphone. As of March 31, 2020, this service is available at approximately 100,000 convenience stores, drug stores, and other retail outlets.



Stores Where “Yucho Pay” Can Be Used

As of March 31, 2020

Approx. **100,000** stores

### Partner Company Examples



## Supporting Employee Training for Business Owners

We prepared a pamphlet that we distribute to business owners as a means of introducing the kinds of business manners and asset formation tips that business owners might want their new employees to read before entering their company. Using this pamphlet, we support business owners who cannot spare the time for human resources training, and contribute to stable lifestyles by providing new employees with the opportunity to learn about asset building at an early stage.



## Special Feature 2

# Digital Strategies

**Digital channel strengthening and smartphone settlement services**

In order to support the lifestyles of our customers, we established the Digital Services Business Department, which leverages new technologies to further strengthen our settlement services and direct services, thereby providing “new convenience.”

### New App Services

In February 2020, we released the Japan Post Bank Bankbook App, which allows users to check their current balance and the details of deposits and withdrawals at any time from their smartphones. With its simple functions and easy operability, this app can also be used without worry by those customers who have no experience with internet banking.

#### Simple functions



**Check “Current Balance”**  
Users can quickly check their bankbook balance.

\* Current Balance does not display secure TEIGAKU deposit and secure time deposit balances.



**Check “Deposits and Withdrawals” at a glance**  
Displays the deposit and withdrawal history as a list.



**Check monthly income and expenditures as a “Graph”**  
Bankbook balances are recorded in monthly units, which makes income and expenditures easy to understand.



## Focus

### Improving Business Efficiency Through the Use of Artificial Intelligence (AI)

In October 2020, we will begin phasing in an AI system at our call centers as a means of improving the efficiency and quality of telephone consultations. Moreover, this system will analyze customer voices for use in improving our products, services, and business procedures.

Our Administrative Service Centers (an organization that responds to business inquiries from directly operated branches and post offices, and that provides business and marketing support related to post offices), which are in charge of supporting post offices, will also leverage AI and other digital technologies going forward to improve operational efficiency.

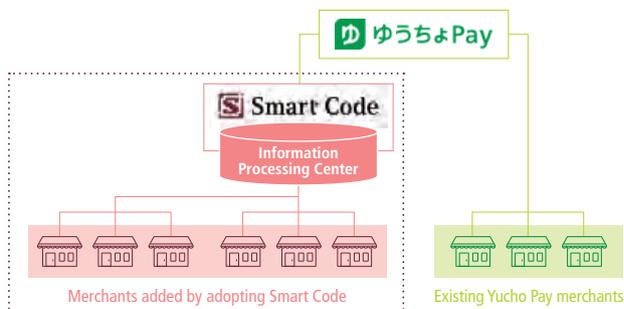
## Additional Yucho Pay functions

We have added new services and functions to the Yucho Pay smartphone settlement service launched on May 8, 2019. We continue expanding functions that correspond to customer needs and aim to enhance the ease of use and convenience.

### FUNCTION

#### 1 Handling Code Settlements in Collaboration with JCB (launched October 1, 2019)

Yucho Pay is now available for use at JCB's Smart Code member stores.



\* As a result of this collaboration, Yucho Pay is now available for use at Smart Code member stores in addition to those of existing Yucho Pay partner companies.

### FUNCTION

#### 2 Balance inquiry function (launched February 7, 2020)

Users can check the balance of their JAPAN POST BANK account registered in the Yucho Pay app in real-time.



Tap "Check Balance" at the bottom left



Displays the registered account balance in real-time

### FUNCTION

#### 3 Link to TOYOTA Wallet (launched April 6, 2020)

Users can access the following settlement services by registering their JAPAN POST BANK general account in TOYOTA Wallet.

- Make settlements via Ginko Pay
- Charge to TOYOTA Wallet Balance

\* "QR code" is a registered trademark of DENSO WAVE INCORPORATED.  
 \* The "iD" logo is a registered trademark of NTT DOCOMO, INC.  
 \* The Android version of this app is not available for use at Mastercard Contactless member stores (in Japan).  
 \* Not available for use at some stores.

	Ginko Pay	TOYOTA Wallet Balance
Settlement Services		
Payment Methods	Debit	Pre-paid
Settlement Methods	QR-code / Barcode settlement	Contactless settlement
Available Stores	Ginko Pay member stores	iD/Mastercard Contactless Member stores (in Japan)/ Mastercard Member stores (EC in Japan)



### Accelerating Towards the Digital Shift

Amid the expectations that society will undergo further digitalization following the spread of COVID-19, the number of applicants in April for Japan Post Bank Direct, which enables transactions over the internet, grew roughly 60% compared with the previous year.

We will continue to advance our digital strategies that correspond to the changes in the economy and society from multiple directions based on the needs of customers for cashless transactions, etc.

# Business and Human Resource Strategies

BUSINESS STRATEGIES

02

## Diversification and Sophistication of Investment Management



**Takayuki Kasama**  
Senior Managing Executive Officer

### We will further strengthen our organizational capabilities to secure stable earnings.

JAPAN POST BANK aims to secure stable earnings, even as uncertainty and volatility rises in the financial market, by elevating its asset management capabilities and diversifying its investment. The Bank has been enhancing its organizational strength by actively recruiting external professionals while training internal human resources to achieve this goal. The organization is showing progress toward becoming a top tier investment firm, as external and internal human resources collaborate and manage the portfolio as one team.

### Assets under Management Forecast for Final Year of Medium-term Management Plan

#### Balance of risk assets\*1

At March 31, 2021 (Planned)

Around **¥90 trillion**

\*1 Balance other than interest-bearing yen assets (JGBs, etc.)

#### Balance of strategic investment areas\*2

At March 31, 2021

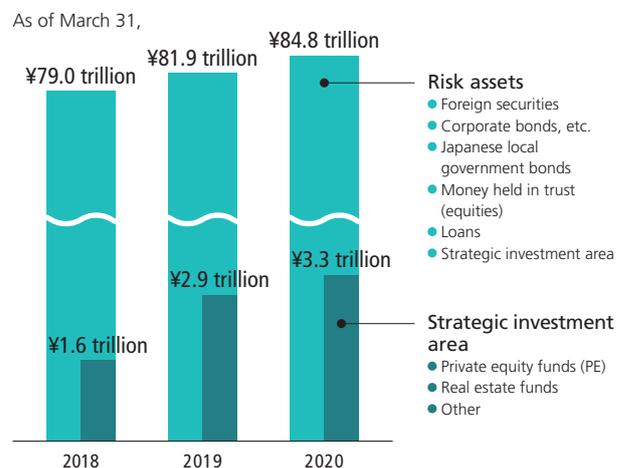
Around **¥4-5 trillion**

\*2 (Private equity (PE), real estate funds (equity), other) + real estate funds (debt (non-recourse loans, CMBS)), direct lending funds included in the balance of risk assets

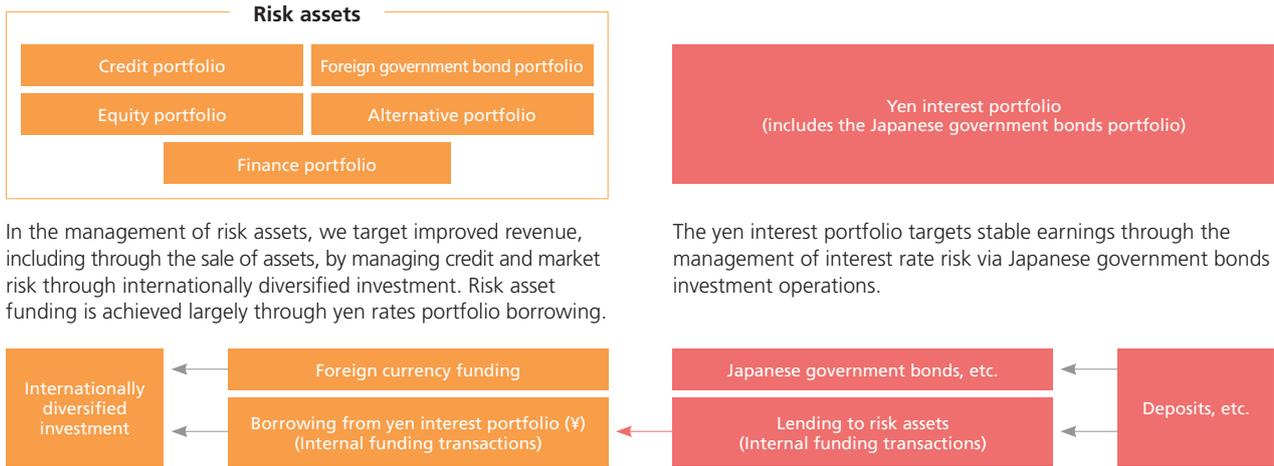
### Performance in the Fiscal Year Ended March 31, 2020

#### Bolstering Profitability

Amid persistent low yen interest rates and increasing uncertainty about the global economy, we promoted internationally diversified investments based on appropriate risk management in order to ensure stable profits. In addition to accumulating risk assets centered on foreign securities while considering the credit quality, we also selectively made investments in private equity funds designated as a strategic investment area (funds that invest in unlisted companies, etc., with anticipation for growth) and real estate funds, among others, in consideration of changes in the market environment. Our balance of risk assets, which had stood at ¥81.9 trillion as of March 31, 2019, increased to ¥84.8 trillion as of March 31, 2020. This included a balance of strategic investments of ¥3.3 trillion.



## Portfolio Framework



## Investing Through Japan Post Investment Corporation

To further improve earnings through private equity investment, Japan Post Investment Corporation invests mainly in domestic companies, enacting investment decisions based on an assessment of business performance and securing the support of management at companies in which it is investing. The company also provides equity funding in concert with other fund managers of the highest caliber.

Through a fund created in April 2018, the company contributes to the development of businesses by providing them risk money primarily for domestic buyouts, including reorganization, succession, or revitalization. The company also supports the growth of businesses by promoting investment in venture companies in the midst of full-scale business expansion and in technologies that have the capacity to become key industries in Japan. As of March 31, 2020, the fund concerned had invested ¥28 billion in 14 projects.

## Ensuring check system through the establishment of the Risk Management Division

### Risk Management Structure Upgrades

- (1) Strengthening of investigation systems in accordance with increased level of investment sophistication and diversification
- (2) Surveys of developments/system upgrades in response to the strengthening of financial regulations in Japan and other countries

### Increased Level of Investigation System Sophistication

- (1) Strengthening of creditworthiness evaluations and monitoring systems
- (2) Strengthening of investigation systems in accordance with increased level of investment sophistication and diversification



## Major Initiatives Aimed at Achieving the SDGs



### ESG Investment

#### Relevant SDGs



As stipulated in our ESG Investment Policy, JAPAN POST BANK is committed to making investments that take into account various forms of international agreement related to environmental issues, etc. We also invest in green bonds and social bonds issued by companies around the world based on appropriate risk management, and contribute to building a sustainable society through investment management.

For details, please see page 36.

# Business and Human Resource Strategies

BUSINESS  
STRATEGIES

03

## Funds Flow to Regional Communities

In line with our efforts to direct the important funds of our customers to local communities, we have been working with local financial institutions since the fiscal year ended March 31, 2017 to actively promote participation in regional vitalization funds. We will continue to contribute to the development and growth of regional economies through partnerships and collaboration with regional financial institutions. We will deepen our cooperative relationships with regional financial institutions by promoting investments in regional vitalization funds as well as through use of the ATM network and sharing of administrative work, etc.

We are also committed to further vitalizing regional economies through transactions with local governments and by participating in PFI.

Relevant SDGs



### Regional Financial Institution Alliance and Collaboration Status

#### Alliances Involving the Use of Our ATM Network

- Elimination of fees for customers of cooperating banks when using JAPAN POST BANK ATMs nationwide or in some regions (during the day, weekdays)
- Elimination of fees for customers of cooperating banks who conduct a certain number of transactions with cooperating banks and when using JAPAN POST BANK ATMs for which usage limits are in place (during the day, weekdays)
- Cooperative ATM installation (cooperating bank logos are displayed on JAPAN POST BANK ATMs)
- Installation of JAPAN POST BANK ATMs in cooperating banks (for inbound travelers)
- Installation of bankbook recording machines at post officers (response to cooperating bank branch strategies, etc.)
- Contracting of management and operations related to ATMs of cooperating banks (collaboration with ATM Japan Business Service, Ltd., an affiliate of JAPAN POST BANK)

We are also committed to a broad range of other services.

#### Implementing Joint Operations of Taxes and Public Dues Collections

Since October 2019, the JAPAN POST BANK Yokohama Operation Support Center has implemented joint operations of taxes and public dues collections with Kawasaki Shinkin Bank. This project aims to improve

operational efficiency and effectively utilize the required equipment and personnel by jointly conducting those operations that had previously been handled individually by each financial institution.

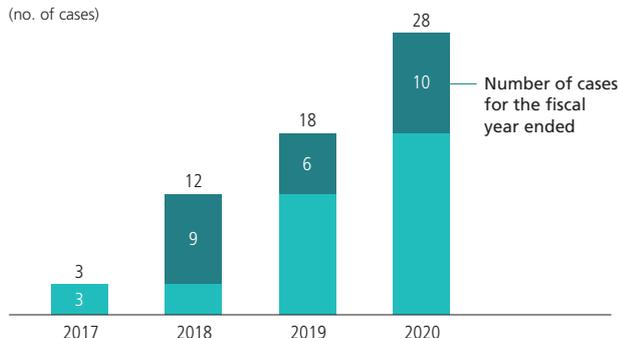
## Participation in Regional Vitalization Funds

We invested in 10 funds during the fiscal year ended March 31, 2020 for the purpose of supporting business succession, startup, and growth. We currently participate in 28 funds as of March 31, 2020. In addition, we will also consider providing capital support to companies across the country affected by the spread of COVID-19 in working to further contribute to regional economic vitalization.

### Regional Vitalization Fund Participation Cases

As of March 31,

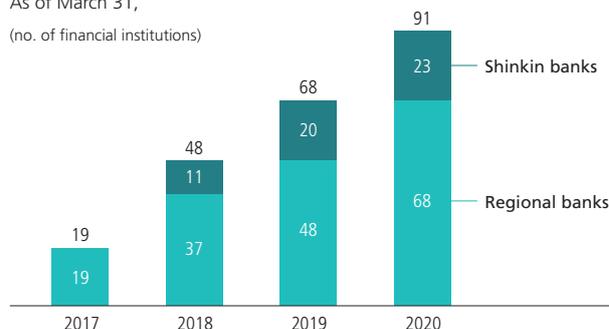
(no. of cases)



### Number of Regional Financial Institutions Cooperating with JAPAN POST BANK

As of March 31,

(no. of financial institutions)



### Initiatives from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2018

Name of Fund	Year/month of participation	Total fund amount	Target area
1 Kyushu Wide Area Reconstruction Assistance Investment LP	2016/7	Around ¥11.7billion	Kyushu Region
2 KFG Regional Enterprise Support Investment LP	2016/11	¥ 2.5billion	Kyushu Region
3 Hokkaido Growth Companies Support Investment LP	2016/11	¥ 0.2billion <sup>*1</sup>	Hokkaido Region
4 Chubu / Hokuriku Region Vitalization Investment LP	2017/4	¥ 5.0billion minimum <sup>*2</sup>	Chubu Region
5 Shiga Bank Core Business Support Investment LP	2017/6	¥ 0.6billion	Kinki Region
6 Toho Business Succession Investment LP	2017/8	¥ 0.5billion	Tohoku Region
7 Kyushu Setouchi Potential Value Investment LP	2017/10	¥ 2.3billion <sup>*1</sup>	Kyushu Region Chugoku Region
8 MIYAKO Kyoto University Innovation LP	2017/11	Around ¥ 2.0billion <sup>*1</sup>	Kinki Region
9 MBC Shisaku 1 LP	2017/12	Around ¥ 2.0billion <sup>*2</sup>	Kinki Region
10 Michinoku Regional Vitalization Investment LP	2018/3	¥ 0.5billion	Tohoku Region
11 Fukui Future Business Support Investment LP	2018/3	Around ¥ 0.5billion <sup>*1</sup>	Chubu Region
12 Ehime Regional Vitalization Investment LP	2018/3	¥ 0.3billion	Shikoku Region



### Initiatives from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2020

As of March 31, 2020

Name of Fund	Year/month of participation	Total fund amount	Target area
13 Healthcare New Frontier Investment LP	2018/8	¥1.25billion	Kanto Region
14 Tokyo SME Support 2 LP	2018/8	¥ 2.0billion	Kanto Region
15 Succession Investment LP, I	2018/10	¥ 3.0billion	Nationwide
16 TOKYO Relationship No.1 Investment, L.P.	2018/12	¥ 3.4billion <sup>*1</sup>	Kanto Region
17 Kyoto-University-Venture NVCC No.2 Investment LP	2019/3	¥ 5.4billion	Nationwide
18 Aomori Bank Regional Vitalization LP	2019/3	Around ¥ 0.3billion	Tohoku Region
19 Capitalization of Tourism Heritage Investment LP	2019/6	¥ 3.0billion <sup>*2</sup>	Nationwide
20 Regional Next-generation Industry Accelerate Investment LP	2019/7	¥ 0.71billion <sup>*1</sup>	Nationwide
21 Regional Companies Value Up Support Investment 1 LP	2019/7	¥ 4.0billion	Nationwide
22 Growth Support Investment Project No.1 LLP	2019/7	¥ 1.52billion	Chubu Region
23 Ant Bridge No.5-A Private Equity Secondary Investment Fund, LP	2019/9	¥ 21.2billion	Nationwide
24 Kiraboshi Capital-Mercuria Investment LP for the Investment Business	2019/10	¥ 2.52billion	Kanto Region
25 Akita City SME Promotion Investment LP	2019/11	¥ 0.3billion	Tohoku Region
26 Towa Regional Activation Investment LP	2019/11	¥ 0.5billion	Kanto Region
27 Furusato Renkei Ouen Fund, L.P.	2020/1	¥ 7.1billion	Chugoku Region
28 Wide Area Typhoon Reiwa 1 Recovery Support Investment LP	2020/1	¥ 3.18billion <sup>*1</sup>	Kanto Region Koshinetsu Region Tohoku Region

\*1 As of establishment

\*2 Targeted investment amount

15 17 19 20 21 23 invest nationwide

28 invests in the Kanto, Koshinetsu, and Tohoku regions.

# Business and Human Resource Strategies

HUMAN RESOURCES STRATEGY

## 04

### Human Resource Development as the Creation of a Foundation for Growth



**Shigeyuki Sakurai**  
Managing Executive Officer

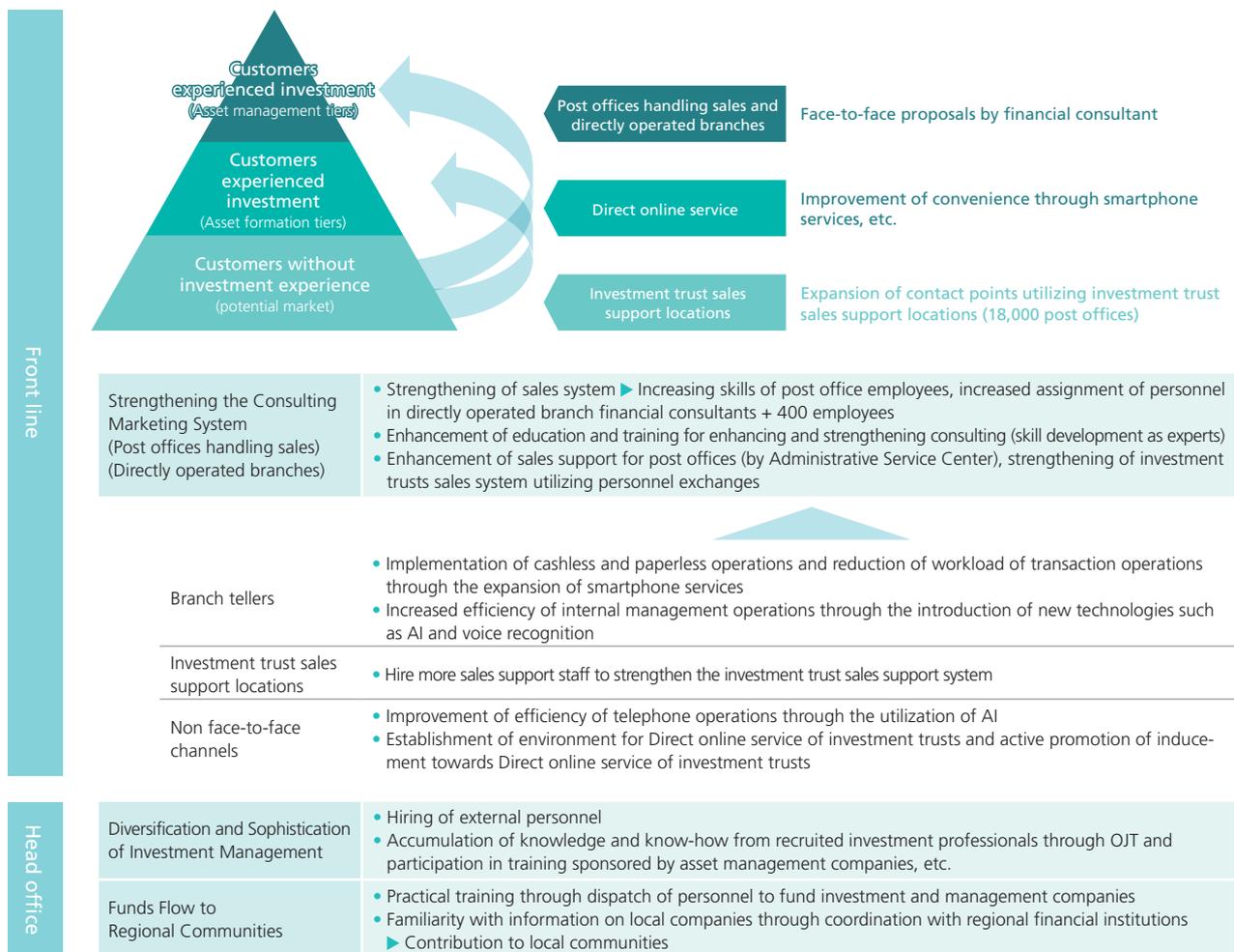
#### Human Resources Are Essential for Growth

Our human resources are our greatest corporate resource. In order to improve JAPAN POST BANK's corporate value and achieve sustainable growth and development, we must continually develop human resources who possess the high-powered imaginations and dynamism to stay on top of changes, as well as ensure that a diverse range of human resources can participate.

We are committed to self-development, training enhancement, domestic and international study, assignments to other companies, and other such measures that contribute to behavioral change and growth among those of our employees with the will to take action for society, the company, and people.

Amid the peril of COVID-19, along with improving workplace environments that make it even easier to work, for example by expanding opportunities to work from home, we are focusing on the promotion of diversity management with the aim of continued growth among employees and the company.

#### Human Resource Development Policy



## Performance in the Fiscal Year Ended March 31, 2020



### Human Resource Development / Human Resource Strategy

#### Strengthening the Consulting Marketing System

We are developing human resources with the ability to handle consulting marketing that corresponds to the needs of customers.

We increased the number of financial consultants and the financial consultant officers at directly operated branches who take on the role of providing sales guidance to branch employees. We are also enhancing systematic training for improving the marketing skills of financial consultants and are enhancing training for improving the guidance capabilities of financial consultant officers.

Along with increasing more marketing instructors who provide support to post offices, we are also enhancing training for improving skills related to investment trusts.

#### Diversification and Sophistication of Investment Management

We are developing human resources with specialized skills, as well as specialized human resources that can address changes in the market environment, as part of our effort to promote diversification and increased sophistication of investment management through internationally diversified investment. In addition to hiring external personnel, we are focused on the accumulation of knowledge and know-how from recruited investment professionals via OJT. We are also participating in training

sponsored by asset management companies and conducting study abroad and dispatching to company programs.

#### Funds Flow to Regional Communities

The Bank assigns human resources to fund management companies, while encouraging acquisition of the knowledge and know-how necessary for fund management. In the fiscal year ended March 31, 2020, the Bank dispatched six people, making for a total of 16 dispatches over the most recent four-year period.

#### Thoroughly Implementing Cost Management and Utilizing Human Resources

We are working to improve the efficiency of operations by introducing RPA (robotic process automation) to the Operation Support Centers that handle high-volume data entry, centralized processing for inheritance procedures, and evidence inspection.

We introduced RPA to three Centers during the fiscal year ended March 31, 2020. During the fiscal year ended March 31, 2021, we plan to introduce RPA to nine Centers.

By improving operational efficiency and productivity through the utilization of Fintech and digitalization, we will reallocate management resources from transactional operations (such as routine tasks at counters) to consulting services while promoting the effective utilization of human resources.

 For details on promoting employee diversity, see page 37.

# Promoting ESG and CSR

The JAPAN POST BANK management philosophy states that we aim to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers, and because we also operate our businesses throughout Japan based on financial infrastructure that includes directly managed branches, the nationwide post office network, and ATMs, we are highly aware that our activities will contribute to the solutions for the problems faced by society.

Under this understanding, we have defined and implement ESG and CSR as activities that work to realize our management philosophy through business activities, and that serve to ensure the sustainable, healthy growth and development of both JAPAN POST BANK and society.

As an initiative to improve corporate value, in April 2020 we established the ESG Team within the Corporate Planning Department in order to advance ESG and CSR initiatives in unison with our management strategies. As part of this move, we also reorganized the original CSR Committee as the ESG · CSR Committee (under the Corporate Planning Department).

## ESG and CSR Promotion Framework



## Specific Themes for Promoting ESG and CSR

We have established four priority issues (Materiality) for promoting ESG and CSR.

In setting these priority issues, we gave consideration to the relationship between stakeholders and JAPAN POST BANK's business activities and the social issues inherent in that relationship, and aimed to contribute to solving problems at a higher level with a particular focus on those areas in which this relationship is deep and the impact is large.

### Initiatives and Targets toward Achievement of SDGs in JAPAN POST GROUP Medium-term Management Plan 2020 (FY2019/3 to FY2021/3)

Materiality	Future Vision	Initiatives
<h4>Customers &amp; Markets</h4>  <p>Relevant SDGs</p>  <p> P.32</p>	<ul style="list-style-type: none"> <li>We continue to provide secure and convenient, community-based services to all our customers through our network of approximately 24,000 post offices nationwide.</li> <li>We aim to listen intently to the voices of our customers, use those voices as a guide in pursuing more convenient service, and provide customer-oriented "new convenience" and "peace of mind."</li> </ul>	<ul style="list-style-type: none"> <li>Customer-oriented Business Operations</li> <li>Providing High-quality, Customer-oriented Financial Service</li> <li>Customer Protection</li> <li>Universal Services</li> <li>Response to Disasters and Accidents</li> <li>Digital strategies</li> <li>Establishing the Service Improvement Committee</li> </ul>
<h4>Regional Communities</h4>  <p>Relevant SDGs</p>  <p> P.34</p>	<ul style="list-style-type: none"> <li>We will contribute to the development of the Japanese economy through the revitalization of local economies with new initiatives, such as the flow of funds to communities and mechanisms that meet the needs for cashless transactions.</li> <li>We will contribute to the future of regional communities by helping to raise children who have the basic skills to boldly make their own path forward, through education about money that utilizes our unique attributes as a financial institution.</li> </ul>	<ul style="list-style-type: none"> <li>Funds Flow to Regional Communities</li> <li>Financial education</li> <li>Promoting transactions with local governments</li> <li>Collaboration with regional financial institutions</li> <li>Providing capital support to companies affected by COVID-19</li> </ul>
<h4>Environment</h4>  <p>Relevant SDGs</p>  <p> P.35</p>	<ul style="list-style-type: none"> <li>We will strive to reduce the environmental impact of our business and actively work to reduce the environmental impact of society overall through financial products</li> </ul>	<ul style="list-style-type: none"> <li>Environmentally-friendly business</li> <li>Environmental Management</li> <li>Environmental Conservation Activities</li> <li>Initiatives that track the TCFD Recommendations</li> </ul>
<h4>Employees—Diversity Management</h4>  <p>Relevant SDGs</p>  <p> P.37</p>	<ul style="list-style-type: none"> <li>We will increase diversity in our corporate culture, and create lively, employee-friendly working environments where each individual employee can demonstrate their full potential, as a way to promote behavioral change among employees.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting Women in the Workplace</li> <li>Work Style Reform</li> <li>Work-life Balance Management</li> <li>Career Formation Support</li> <li>Employee Awareness Reforms</li> <li>Hiring Diverse Personnel</li> <li>Initiatives on Health Management</li> <li>Raising Awareness and Conducting Education about Human Rights</li> </ul>

# Customers & Markets



Relevant SDGs



## Provision of High-quality, Customer-oriented Financial Services Promotion of Customer-oriented Business Operations

To propose high-quality financial products and services to a wide range of customers, the Bank established its “Basic Policy for Fiduciary Duties” in June 2017. In March 2018, the Bank put in place a slogan, “Have more people say ‘JP Bank, of course,’” and worked to promote companywide “customer-oriented business operations.”

Particularly in the case of investment trust sales, we provide easy-to-understand explanations to customers who are dealing with investment trusts for the first time, and support the formation of their assets.

The Bank discloses the “Status of Customer-oriented Business Operations” on its website.

### Basic Policy for Fiduciary Duties

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>1 Establishing a corporate culture focusing on customer-oriented business operations</li> <li>2 Developing/providing high-quality, customer-oriented financial services</li> <li>3 Providing customer-oriented information and consulting services</li> </ul> | <ul style="list-style-type: none"> <li>4 Improving the system for managing conflict of interest</li> <li>5 Fostering human resources/performance evaluations</li> <li>6 Status update</li> </ul> |
|--|--|

#### Basic Policy for Fiduciary Duties

[Home \(footer\)](#) > [Basic Policy for Fiduciary Duties](#)

Under such circumstances, in connection with the sale of investment trusts by solicitation to elderly customers, for the “pre-solicitation” and “pre-sales” acceptance administrative approvals, as stipulated by internal rules at the Bank and JAPAN POST Co., Ltd., there was a failure in getting “pre-solicitation” approvals.

For this reason, in cooperation with JAPAN POST Co., Ltd., we have followed up with the customers affected by this incident to confirm their awareness of the investment products they are holding. We conducted an internal investigation while taking into consideration the opinions of external attorneys-at-law to determine whether there were any cases in which we had failed to provide the required explanations from the perspective of the principle

of suitability to customers for which there were deemed to be concerns regarding their awareness. The internal investigation found no such case.

As recurrence prevention measures, we took steps to further instill the purpose of our internal rules through training and other means, improve and enhance our sales tools for customers, and strengthen our compliance and audit systems. We will strive to sell investment trusts in a more careful and prudent manner to elderly customers and customers who are new to investing. In addition, to further improve the quality of customer-oriented financial services, we have conducted and will continue to conduct regular after-sales follow-up services for all elderly customers.

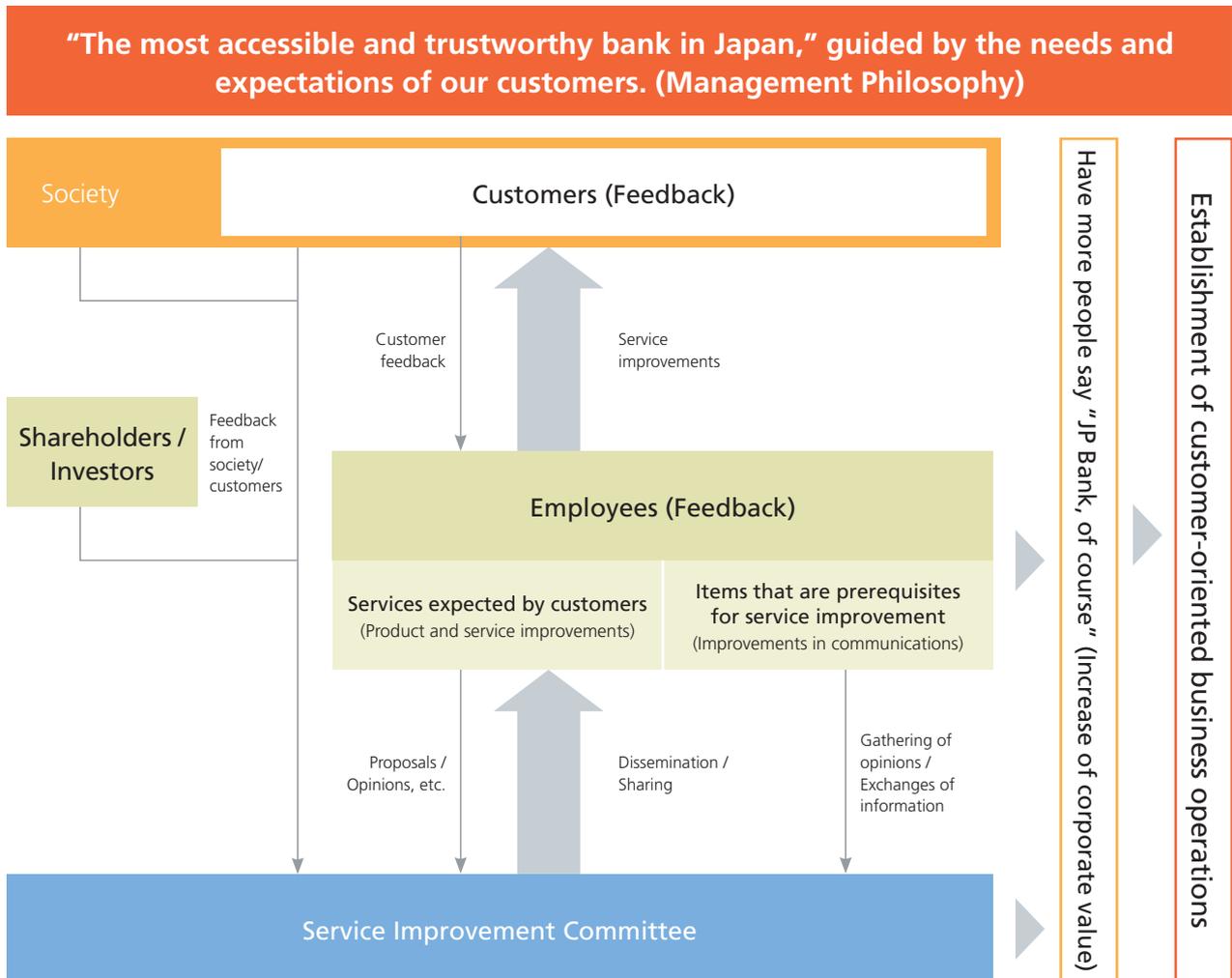
#### Establishment of Service Improvement Committee

We have established a Service Improvement Committee with the aim of further promoting and practicing customer-oriented business operations by identifying issues related to all of our products and services and examining and implementing countermeasures. A specialized committee directly under the Executive Committee,

the Service Improvement Committee consists of the president and representative executive officer as its chairperson and related officers. Going forward, the management team will also continue to take responsibility for the further promotion and implementation of customer-oriented business operations.

### Service Improvement Committee Structure

Utilizing customer feedback, such as the opinions and requests received from customers, and the suggestions, opinions and requests from employees that form employee feedback, the Service Improvement Committee will work to improve and enhance our products and services.



### Responses to Disasters and Accidents

In the event of a disaster, such as an earthquake or flood damage, we implement a service at the savings service counters of the Bank or post offices that allows the free-of-charge sending of natural disaster relief donations to the transfer accounts of the Japanese Red Cross Society, community chests and local governments that provide relief and other assistance. Even for businesses

whose aim is to promote social welfare, we also handle bank transfers for Bank-designated items free of charge. For victims who have lost their deposit passbooks, certificates, personal seals and other items due to the occurrence of a disaster, we carry out emergency transactions, such as the refunding of deposits, when certain conditions are met.

### Universal Services

[↗](#) For more details please see pages 12 and 19.

### Digital Strategies

[↗](#) For more details please see page 22.

# Regional Communities



## Relevant SDGs



## Funds Flow to Regional Communities

Through a regional revitalization fund for the purpose of supporting business succession, startups, growth, etc., the Bank is promoting initiatives for regional revitalization, such as the making of contributions to local employment promotion. (For more details please see page 26.)

To further contribute to the revitalization of regional economies we will also consider capital support for companies throughout Japan that have been affected by the spread of novel coronavirus (COVID-19) infections.

## Alliances with Regional Financial Institutions

In addition to having the Bank's ATM network used by customers of regional financial institutions free of usage fee charges, we are contributing to the development and growth of regional economies through cooperation and

collaboration with regional financial institutions, for example by commencing joint tax and public dues collection operations with Kawasaki Shinkin Bank.

## Promotion of Transactions with Local Governments

To contribute to the revitalization of regional economies, the funds entrusted by local customers are returned through the Bank's investment management operations in

the form of local government bonds and local government loans.

## Measures to Support Management at Small and Medium-sized Enterprises

JAPAN POST BANK offers a variety of services to corporations and business owners, such as fund transfers, bill payments and Internet banking (Yucho Biz Direct). The support we offer to managers of small and medium-sized enterprises (SMEs) relates to improving the efficiency, facilitating the process, and reducing the cost of doing business, by focusing efforts on enhancing the quality of

services that take advantage of our nationwide branch, post office and ATM network. Such services include convenient regular payments for receiving payments for goods or for collecting accounts receivable, electronic transfers, and the transfer of payroll to employees.

We do not provide management support through mutual loans to SMEs.

## Financial Education

JAPAN POST BANK conducts financial education classes and other visiting lessons at elementary and junior high schools. Utilizing our proprietary teaching materials, we are helping children develop good financial sense by teaching them the importance of money and how to manage their money.

### Original text books for each grade



### Employee instructor tools



### Method

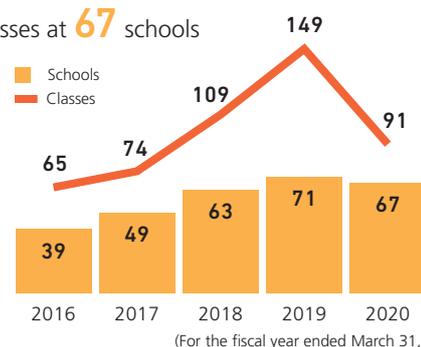
- Visiting lessons
- Seminars at branches
- Classes by instructors



Visiting lessons

### Classes held (FY2020/3)

91 classes at 67 schools



# Environment



Relevant SDGs



## Supporting the TCFD Recommendations

Recognizing that responding to climate change, which has a major impact on the environment, society and business activities, is an important issue, JAPAN POST BANK along with JAPAN POST HOLDINGS Co., Ltd. and JAPAN POST INSURANCE Co., Ltd. announced their agreement with the TCFD Recommendations in April 2019.

With regard to environmental issues such as climate change, the Bank’s viewpoint is to promote initiatives not only by endeavoring to act in ways that show consideration for the environment but also through its business activities. It was from that viewpoint that the Bank revised the JAPAN POST BANK Environmental Policy on the basis of the TCFD Recommendations in April 2019 and is working to make further enhancements to its activities.

The status of compliance with the disclosure items endorsed by the TCFD Recommendations is as follows.

**Governance**

- In April 2020, we newly established the ESG Team within the Corporate Planning Department. We also put in place a system to promote ESG and CSR initiatives, including climate-related issues, in line with the management plans by reorganizing the existing CSR Committee into the ESG・CSR Committee (under the Corporate Planning Department).
- The Bank responded to the TCFD Recommendations by incorporating them into management plans following discussions at meetings of the Board of Directors and Executive Committee. In the years to come, we will regularly report progress to the Board of Directors and promote the recommendations appropriately.

**Strategy**

- In combination with the formulation of management plans, we identified the risks and opportunities related to climate change as follows.
- To quantitatively ascertain the impact of climate change-related risks on the Bank’s management portfolio, we will henceforward continue to consider scenario analysis methods, taking into account the characteristic feature that the majority of the Bank’s investment portfolio is made up of market assets under management.

**Physical Risks**

Assumed as damage to the Bank’s directly managed branches, ATMs and facilities/equipment due to natural disasters and an increase in the credit risk of investee companies, etc.

**Transition Risks**

Assumed as risks that the securities holdings of the companies in which the Bank is investing, companies that greatly affected by environmental regulations, will suffer a decline in value due to a tightening of regulations, etc.

**Opportunities**

It is assumed that there will be improvements in the capital markets and society’s evaluations by appropriate measures and disclosures related to climate-related issues, and that financing opportunities for renewable energy businesses and green bond investment opportunities will increase.

**Risk Management**

The Bank formulated its ESG Investment Policy in April 2019. Based on the Policy, we are investing after taking into consideration a variety of international agreements on environmental issues. In the years to come, we will consider enhancing this policy from the perspective of fulfilling and contributing to climate change obligations as an institutional investor.

**Metrics and Targets**

Target : Reduction of CO<sub>2</sub> emissions  
 Metric: Energy usage per unit of output    25% decrease in FY2021/3 compared with FY2010/3

## Environmentally-friendly Business

### Japan Post Bank Direct+ (plus) Non-Passbook General Account

With no issuing of a passbook, this service enables customers to use their cash cards for cash deposit and withdrawal enquiries, while current balances are obtained via Japan Post Bank Direct. Instead of issuing passbooks, details of deposits and withdrawals can be confirmed for



up to a maximum period of 15 months. Since the paper used for both conventional passbooks and for the various notifications sent to customers is unnecessary, this leads to a reduction in paper usage.

### Online Service for Viewing Transfer Receipt/Payment Notifications

This is a service that enables customers to check transfer receipt/payment notifications and payment handling slips from 9:00 a.m. the day after the account update on an office computer, home computer or smartphone. The feedback we have received from customers has included comments like "Being able to confirm transfer receipt/

payment notifications via the internet is convenient," "No longer needing to store hard copies of transfer receipt/payment notifications has made life easier." Since transactions are confirmed via an online screen instead of informing customers in writing, this is also leading to a reduction in paper usage.

## ESG Investments

Considering the growing demand from stakeholders for initiatives regarding climate change and other issues faced by society, as well as JAPAN POST BANK's endorsement of the TCFD Recommendations, JAPAN POST BANK formulated a policy to make investments that heed international agreements when advancing diversified international investments. This policy was disclosed in May 2019.

We are also investing in green bonds issued by companies in countries throughout the world. These funds are used for green projects that assist in solving environmental problems, including global warming. While enhancing returns on assets under appropriate risk management, we will contribute to forming a sustainable society through investment in green bonds.

## Environmental Management

### Initiatives to Reduce Energy Usage

To reduce energy consumption throughout the Company, we are promoting initiatives to save energy through business operations on an ongoing basis.

#### Status of Reduction in Energy Usage Per Unit of Output (see Note)



(Note) Energy usage per unit of output: Energy usage divided by total floor area

### Environmental Consideration in Procurement

In our contract processes, we declare "Consideration for the environment: We shall conduct procurement activities with consideration for conservation of the global and regional environment and effective use of resources," and so conduct environmentally friendly procurement.

In December 2018, we reviewed the JAPAN POST

GROUP's approach to procurement activities (procurement policy). In addition to showing that the JAPAN POST GROUP supports the 10 principles in the four fields (human rights, labor, environment and anti-corruption) defined in the UN Global Compact, we ask our business partners for their cooperation.

### Environmental Conservation Activities

- Yucho Volunteer Savings

Part of the interest received from customers is used as a donation for environmental conservation in developing countries.

(Cumulative total from launch of transactions until March 31, 2020: ¥33.79 million)

- Yucho Eco-Communication

We are working to reduce the amount of paper used and donating some of the results to environmental conservation groups nationwide and thereby supporting activities that contribute to sustainable regional development.

(Cumulative total from start of initiative to March 31, 2020: ¥13.0 million)

# Employees

## —Diversity Management



Relevant SDGs



### MESSAGE

## Aiming to Remain a Bank Where Each and Every Employee Shines

—Once again learning from the past to understand the present and the future.

As a community lifestyle financial institution with a nationwide regional “multi-centeredness” that even extends to remote islands, JAPAN POST BANK will soon be faced with the micro-level diversity known as historic “multi-generationalness” upon reaching 150 years since its founding.

In the era of global SDGs management, it remains the Bank and the JAPAN POST GROUP’s mission to rebuild corporate value by matching the diversity responsiveness that has been cultivated as an organization to the SDGs and to contribute to society to an unprecedented degree.

The people who carry out these activities are each and every employee from all over the country, and diverse teams from workplace units. To create a workplace where employees are able to work with vitality, we have developed bottom-up Diversity Committee activities by area of the country, and on four occasions have proposed to the president improvement plans that have the workplace as their starting point. Last year, we also launched a committee within head office and are promoting company-wide diversity management to respond to rapidly increasing social transformation. In aiming to build organizational and human relationships that are mutually accepting of and able to understand differences in individuality and attributes and are able to turn those differences into strengths, we would like to grow as a company that realizes the happiness not only of customers and stakeholders but also of employees and their families.



**Yoko Makino**  
Executive Officer, General Manager of Diversity and Inclusion Department

### Promotion of Women’s Participation and Advancement in the Workplace

Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, JAPAN POST BANK established a General Business Owner Action Plan and set as its goal increasing the ratio of women in management positions to 14% or more by April 1, 2021. In 2020, we achieved 15.3%, exceeding the target.



#### Ratio of female managers

As of April 1, 2016 **10.9%**  
(Initial target value at least 14% by April 2021)



April 1, 2020 **Target achieved 15.3%**

# Employees —Diversity Management

JAPAN POST BANK has traditionally created work environments, such as the introduction of the interval-based work system and telecommuting, in which diverse human resources can play active roles. Taking the coronavirus pandemic as an opportunity, we will continue to further

promote flexible working styles, for example through the active use of telecommuting and staggered work hours. By advancing the management and personnel evaluation of employees in line with these moves, we will strive to improve employee motivation and productivity.

## Initiatives toward Work-style Reforms Introducing an Interval-based Work System

With the goals of ensuring employees get enough time for daily living and to create healthy working environ-

ments, since April 2018 we introduced a system that guarantees 11-hour intervals between each day's work.

## Introduction and Expansion of Telecommuting (Working from Home)

Working to increase operating productivity and enable employees to continuously demonstrate their abilities, JAPAN POST BANK introduced telecommuting on a trial

basis at its headquarters in fiscal 2018. The number of employees engaging in telecommuting is expanding in response to the need for diverse work styles.

## Work-life Balance Management Promoting Men's Participation in Childcare

Together with making childcare leave partially paid leave, JAPAN POST BANK recommends that men take childcare leave, for example we introduce our staff who have taken childcare leave with interviews on our internal magazines.

To follow up at all workplaces we are also working to create the environment for men's participation, such as by giving them original "Yucho Papa Mama Support Cards" from their superiors.

## Holding of All Types of Training Programs/Seminars

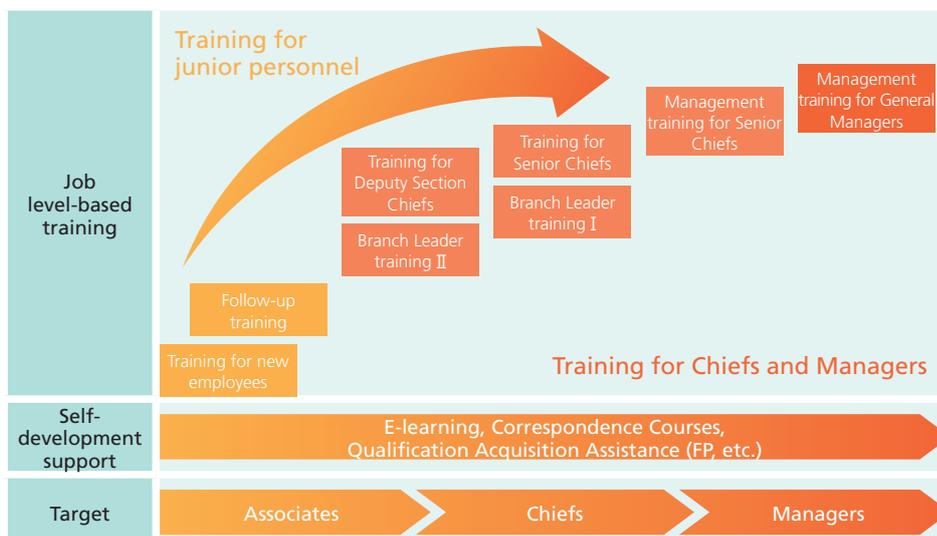
We hold a variety of work-life balance-related seminars, such as for employees who are expecting a baby, employees returning to work after childcare leave, and seminars on balancing work and nursing care. In addition

to providing support for employees to balance their childcare or nursing care obligations with work, we increase awareness by providing lectures on work-life balance in internal newsletters.

## Career Formation Support

In consideration of employees' aspirations, the Bank promotes career development by providing opportunities for them to raise their awareness and learn, so that they can map out and implement plans for that purpose for themselves.

### Training system diagram



Training for Deputy Section Chiefs

## Employee Awareness Reforms

### Training and Empowering IkuBosses

Believing the presence of IkuBosses\* to be essential to achieving workplaces where each and every employee can work comfortably and enjoy their experiences, we conduct the training of Yucho IkuBosses. In the fiscal year ended March 31, 2020, all managers made their own IkuBoss Declaration, and the content of the declarations made by managers at head office were posted on the Company portal site and published. Having made Yucho IkuBoss

Certification open to all managers, approximately 95% have passed, and JAPAN POST BANK is enhancing training, for example by having 565 employees nationwide attend lectures at Diversity (IkuBoss) Training sessions.

\* An IkuBoss (or "New-era" Boss) is a manager/an executive who (a) considers his/her staff's work-life balance and supports their career, (b) achieves his/her organization's business targets, and (c) enjoys his/her own life outside of work.

## Holding the Japan Post Bank Diversity Forum

We are holding the Japan Post Bank Diversity Forum to foster awareness of diversity and to create a comprehensive mindset focused on the future. About 150 employees of varying age, gender, and occupation participated in the nationwide forum in the fiscal year ended March 31, 2020. The participants also reported to the management team about the activities of the Japan Post Bank Diversity Committee\* and, through group work, formulated an action plan for promoting diversity management in the next fiscal year.



Japan Post Bank Diversity Forum

\* A committee chaired by the president and Representative Executive Officer, the members of which are representatives of 13 areas from across the country to strengthen the promotion of diversity management.

## Hiring Diverse Personnel

### ARIGATO Center and Massage Room Operation

In 2010, JAPAN POST BANK established and started operating the JAPAN POST BANK ARIGATO Center as a part of efforts to provide people with disabilities who are seeking employment with the opportunity to work. At this center, employees with disabilities bag candy, which is handed to customers visiting branches.

In addition, employees with disabilities have been employed as in-house physiotherapists (in massage rooms) at certain Operation Support Centers since fiscal 2016.



General view of the ARIGATO Center operation

## Employing Senior Citizens/Continuing Employment of Employees after Age of Retirement

We employ workers who wish to be hired as employees from among employees who have reached the age of retirement. (Maximum employment agreement period:

Until the end of the fiscal year in which the employee reaches 65 years of age.)

## Health Management Initiatives

JAPAN POST BANK bases its initiatives on health management on the idea that maintaining and improving the mental and physical health of employees, as well as creating environments where employees can work with vitality, will contribute to improving the Bank's productivity and corporate value. The Bank's initiatives include cutting down on long working hours, health guidance toward

preventing/reducing the incidence of lifestyle diseases, and mental health care. In recognition of these endeavors, JAPAN POST BANK was certified as a 2020 Health and Productivity Management Organization by both Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

## Raising Awareness and Conducting Education about Human Rights

In light of increasing pressure from society on corporations to respect human rights and based on concepts such as the United Nations Guiding Principles on Business and Human Rights, the Bank formulated the JAPAN POST

BANK Human Rights Policy. We also promote human rights awareness activities to show our stance on respecting human rights and cultivate human rights awareness in each individual employee.

# Governance



## Features of JAPAN POST BANK Corporate Governance

(As of July 1, 2020)

Adopted a company with **three statutory committees system** to accelerate management decision-making and improve transparency

Gender **diversity** on its Board of Directors



Outside directors with **diverse experience and knowledge** constitute members of Board of Directors

**High attendance rate** at Board of Directors' meetings held 12 times a year



Rate of attendance at Board of Directors' meetings

98.01%

Note: Number of meetings and attendance rate from June 18, 2019 to June 15, 2020

The three committees **mainly comprise outside directors**

	<b>Nomination Committee</b>	Number of members	
Outside directors	<b>3</b>	Internal directors	<b>2</b>
	<b>Compensation Committee</b>	Number of members	
Outside directors	<b>3</b>	Internal director	<b>1</b>
	<b>Audit Committee</b>	Number of members	
Outside directors	<b>4</b>	Internal director	<b>1</b>

## Basic Stance

With a view to its sustainable growth along with improvement of its corporate value over the medium to long term, JAPAN POST BANK attaches great importance to relationships with its all stakeholders, including shareholders, and will maintain its corporate governance system based on the following stance.

- 1 We will engage in constant value creation by providing banking services through the distribution network based on the post office, while continuously creating new convenience for customers, in pursuit of providing higher quality of service.
- 2 Fully recognizing fiduciary responsibilities to shareholders, we will give consideration to ensure the rights and equality of shareholders in an appropriate manner.
- 3 We will value the dialogue with all stakeholders including shareholders, and seek appropriate collaboration and sustainable coexistence therewith. To this end, we will ensure management transparency and strive for disclosure and provision of adequate information.
- 4 In order to promptly adapt to changes in economic and social environment and meet the expectation of all stakeholders, we will make swift decision-making in a firm attitude and conduct businesses under the effective supervision by the Board of Directors.

## Evaluation of Effectiveness of the Bank's Board of Directors

### Evaluation Method

The Bank's Board of Directors conducts discussions based on the results of a survey regarding the effectiveness of the Board of Directors as a whole in light of a self-evaluation

by each director, and conducts an analysis and evaluation of the effectiveness of the Bank's Board of Directors.

### Summary of evaluation results

The Board of Directors comprises a majority of outside directors with diverse backgrounds and extensive knowledge and experience, as well as a high degree of specialized expertise.

The directors have appropriately overseen business execution by such means as exchanging unreserved opinions with one another from their respective standpoints and by vigorously discussing important management issues.

In FY2019, we have been working to further invigorate discussions by sharing information with outside directors and others. With regard to management issues at the Bank and medium- to long-term management strategies, there is an awareness that vigorous discussions are to be conducted.

Based on the foregoing, the Board of Directors has concluded that the effectiveness of the Board of Directors as a whole has been ensured.

However, with regard to the cases of improper investment trust sales, in light of the fact that the Board of Directors were unable to recognize the issues at an early stage—because, for example, the explanatory materials at Board of Directors' meetings did not necessarily clearly show the points for discussion—going forward the Bank will strive to further enhance governance through the initiatives set out below.

### Initiatives for the future

Based on the results of this evaluation, the points for discussion and important issues will be more clearly defined from the perspective of further improving effectiveness. At the same time, the Bank will work to maximize the supervisory function of the Board of Directors, which comprises members from diverse backgrounds, by promoting the further upgrade and expansion of discussion.

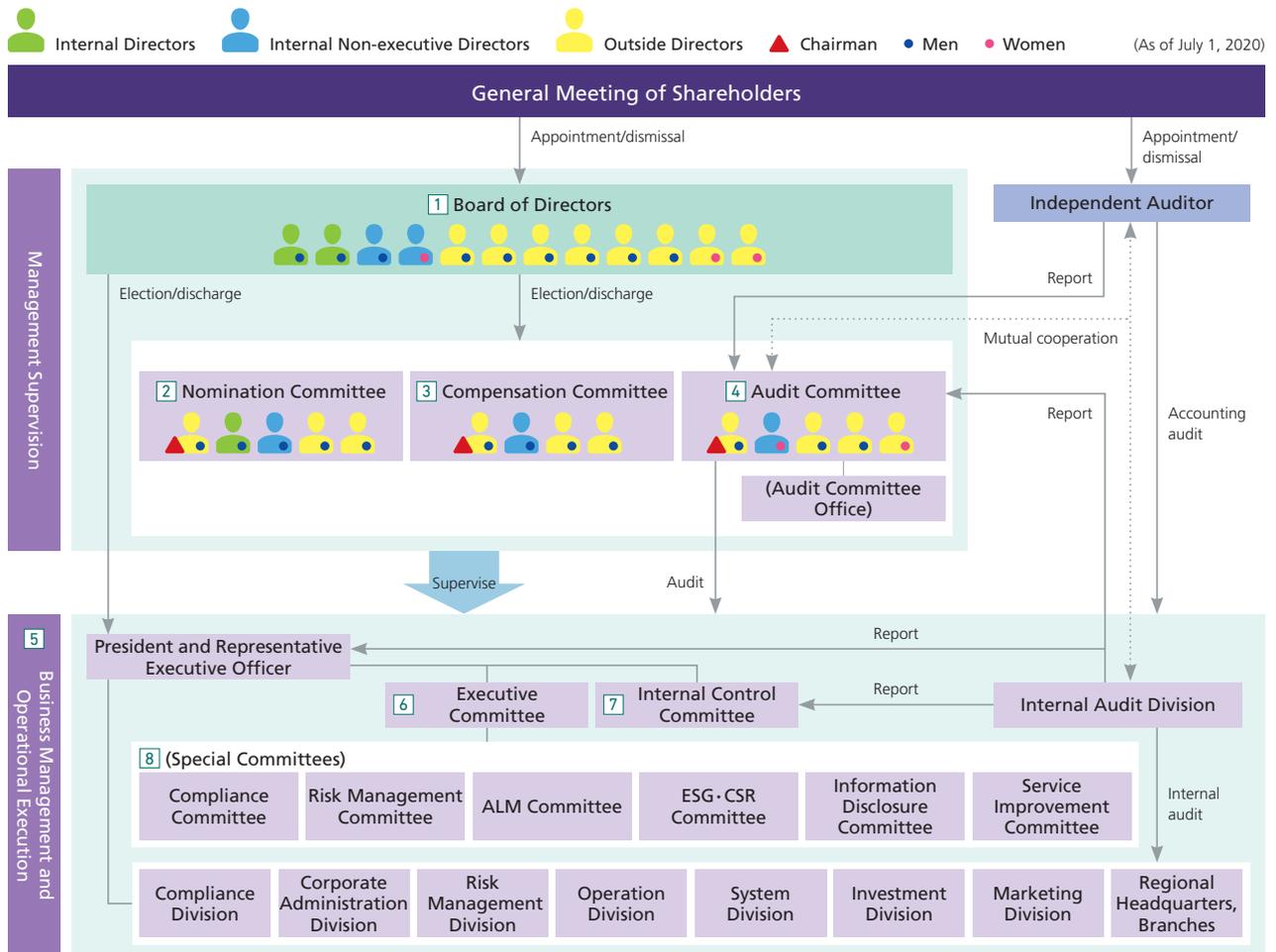
## Main Topics of Discussion at Board of Directors' Meetings in FY2020/3

- Risk Appetite Statement
- Formulation of FY2021/3 management plan
- Promotion of FY2020/3 management plan
- Customer-oriented service improvements
- Promotion of measures to counter money laundering/ the financing of terrorism
- Strengthening of cyber security management systems
- Initiatives designed to promote digitalization
- Operational status of the "Basic Policies for the Internal Control System"

## Corporate Governance System

JAPAN POST BANK has adopted the company with three statutory committees system of corporate governance in order to implement rapid decision-making and to increase management transparency. Accordingly, the Bank has established the Nomination Committee, the

Compensation Committee, and the Audit Committee. In this way, the Bank has a system under which the Board of Directors and the three statutory committees can provide appropriate oversight of management.



### 1 Board of Directors

The JAPAN POST BANK Board of Directors has 12 members. 2 of the directors also serve as Executive Officers, and the other 8 directors are Outside Directors who work to oversee the Bank's operations.

Members	
Norito Ikeda, Susumu Tanaka, Hiroya Masuda, Atsuko Onodera	Outside Directors: Nobuko Akashi, Katsuaki Ikeda, Ryoji Chubachi, Keisuke Takeuchi, Makoto Kaiwa, Risa Aihara, Hiroshi Kawamura, Kenzo Yamamoto
Number of times held (Attendance rate)* 12 times (98.01%)	

### 2 Nomination Committee

This committee determines the criteria regarding the appointment and dismissal of directors. In addition, it determines the content of proposals regarding the appointment and dismissal of directors that are submitted to general meetings of shareholders.

Members	
Chairman: Makoto Kaiwa	Members: Ryoji Chubachi, Keisuke Takeuchi, Norito Ikeda, Hiroya Masuda
Number of times held (Attendance rate)* 3 times (100%)	

### 3 Compensation Committee

This committee decides the Policy for Determining the Details of Individual Compensation for Directors and Executive Officers. It also decides the content of individual compensation for executive officers and directors.

Members	
Chairman: Ryoji Chubachi	Members: Katsuaki Ikeda, Keisuke Takeuchi, Hiroya Masuda
Number of times held (Attendance rate)* 3 times (100%)	

#### 4 Audit Committee

This committee audits the execution of duties by executive officers and directors and prepares audit reports and determines the content of proposals regarding the election and dismissal of accounting auditors and the refusal to reelect accounting auditors to be submitted to a shareholders meeting.

##### Members

Chairman: Katsuaki Ikeda  
 Members: Atsuko Onodera, Nobuko Akashi, Hiroshi Kawamura, Kenzo Yamamoto  
 Number of times held (Attendance rate)\* 14 times (100%)

#### 5 Business Management and Operational Execution (Executive Officers)

The Executive Officers, who are selected by the Board of Directors, are responsible for conducting business operations. The President and Representative Executive Officer makes full use of the authority and responsibility delegated to him by the Board of Directors in the conduct of business operations. We have introduced a performance-linked stock compensation system utilizing a trust as part of our compensation for our Executive Officers. The objectives of the system are to further enhance the awareness of the Executive Officers of the Bank regarding the importance of contributing to sustainable growth and enhancing the Bank's corporate value over the medium and long terms, by clarifying the link between the Executive Officers' compensation and the share value of the Bank. Accordingly, the compensation of the Executive Officers of the Bank shall consist of a "base salary" component as fixed compensation, and a "performance-linked stock compensation" component as variable compensation.

#### 6 Executive Committee

The Executive Committee has been established as an advisory body to the President and Representative Executive Officer to hold discussions on important business execution matters.

#### 7 Internal Control Committee

The Internal Control Committee has been established as an advisory body to the President and Representative Executive Officer to hold discussions on the legal, regulatory and other compliance-related issues as well as other important internal control matters.

#### 8 Special Committees

The Special Committees assist the Executive Committee in matters requiring specialized discussions.

##### Roles of Special Committees

##### ■ Compliance Committee

The Compliance Committee formulates compliance systems and programs and holds discussions and provides reports regarding progress in these matters.

##### ■ Risk Management Committee

The Risk Management Committee formulates risk management systems and operational policies. The committee also holds discussions and provides reports regarding progress in risk management matters.

##### ■ ALM Committee

The ALM Committee formulates basic ALM plans and operational policies, determines management items, and holds discussions and provides reports regarding progress in these matters.

##### ■ ESG·CSR Committee

The ESG·CSR Committee formulates basic policies and action plans for ESG·CSR and holds discussions and provides reports regarding progress in these matters.

##### ■ Information Disclosure Committee

The Information Disclosure Committee formulates basic information disclosure policies, holds discussions, and provides reports on disclosure content and progress in order to ensure the appropriateness and effectiveness of information disclosure.

##### ■ Service Improvement Committee

This Service Improvement Committee discusses and reports on the content of the policy relating to customer-oriented business operations, the formulation of plans relating to the improvement of customer-oriented products and services and other important items including the status of implementation.

\* Number of times held from June 18, 2019 to June 15, 2020 (attendance rate)

## Elections and Dismissals of Executive Officers, Nominations of Director Candidates

With regard to the policies and procedures for electing or dismissing executive officers and nominating director candidates, the "Criteria for Election or Dismissal of Executive Officers" and "Criteria for Nomination of Director Candidates" are disclosed on the Bank's website.

##### Criteria for Election or Dismissal of Executive Officers

 <https://www.jp-bank.japanpost.jp/en/aboutus/company/pdf/criteriaelection.pdf>

##### Criteria for Nomination of Director Candidates

 <https://www.jp-bank.japanpost.jp/en/aboutus/company/pdf/criterianomination.pdf>

## Policy for Determining Amount or Calculation Method of Compensation, etc., for Directors and Executive Officers

(As of July 1, 2020)

In regard to compensation for the Bank's directors and executive officers, the Compensation Committee has prescribed the policy for determining the details of

individual compensation for directors and executive officers as follows, and it determines the amount of compensation in accordance with this policy.

### 1 | Compensation system

- (1) When serving concurrently as a director and executive officer, compensation shall be paid for the position of executive officer.
- (2) Compensation that directors of the Bank receive shall be paid in the form of a fixed amount of compensation corresponding to duties, in light of the scope and scale

- of responsibility relating to management, and the like.
- (3) Compensation that executive officers of the Bank receive shall be paid in the form of a base salary (a fixed amount of compensation) and performance-linked stock compensation, and shall function as a sound incentive for sustainable growth.

### 2 | Compensation for directors

Compensation for directors shall be paid as a certain level of a fixed amount of compensation corresponding to duties, in light of the main role of supervision of

management, and the level shall be an appropriate one that takes into account the scale of duties as a director and the current situation of the Bank.

### 3 | Compensation for executive officers

Compensation for executive officers shall be paid in the form of a certain level of base salary (a fixed amount of compensation), in light of differences in responsibility that varies according to the job position, and performance-linked stock compensation that reflects the state of achievement of management targets, and the like.

achievement of management targets shall be granted every year, and shares corresponding to the points accumulated at the time of retirement from office shall be provided. However, a certain percentage of this shall be paid in the form of money obtained by converting the shares into cash.

The level of base salary shall be an appropriate one that takes into account the scale of duties of the executive officer and the current situation of the Bank.

Furthermore, in the case of a person who is an executive officer in charge of an area that requires special knowledge and skills and, based on the compensation corresponding to his/her duties, would receive a significantly lower level of compensation than what an officer in charge of such an area would generally receive at other companies, it shall be permitted to adopt compensation that refers to the level of compensation at other companies instead of compensation corresponding to duties.

In regard to stock compensation, based on the viewpoint of a sound incentive for sustainable growth, points that are calculated by multiplying the sum of basic points corresponding to separately prescribed duties and evaluation points based on individual evaluation by a coefficient that varies according to the state of

### Summary of Compensation for Executive Officers

Type	Payment standard	Payment method
Base salary (fixed amount)	Appropriate level taking into account scale of duties and the Bank's current situation	Monthly (cash)
Stock compensation (performance linked)	The points calculated by the following formula are awarded each year, and the stock is paid according to the number of accumulated points. <ol style="list-style-type: none"> <li>1 Basic points (awards correspond to prescribed duties)</li> <li>2 Evaluation points (award based on individual evaluation)</li> <li>3 Coefficient (varies according to level of achievement of management plan)*</li> </ol> $(1 + 2) \times 3$	At time of retirement (shares, however a certain portion in cash)

\* The indicators for FY2020/3 include net income for the period, expansion of sales of assets under management as well as of fees and commissions, increased sophistication of asset and risk management

## Support System for Outside Directors

The Bank shall take the following actions in relation to directors to ensure the effective and smooth operation of meetings of the Board of Directors and enhance the effectiveness of supervision by outside directors, in particular.

- (1) Coordination of an annual schedule with sufficient time available
- (2) Timely and appropriate provision of information as necessary

(3) Ensuring sufficient prior explanation and time for prior consideration of the content of agenda items

(4) Ensuring time for questions at Board of Directors' meetings

In addition, the Bank shall allocate sufficient staff for operational support to effectively and efficiently carry out meetings of the Board of Directors, and for communication and coordination with outside directors.

## Concerning the JAPAN POST GROUP Agreement

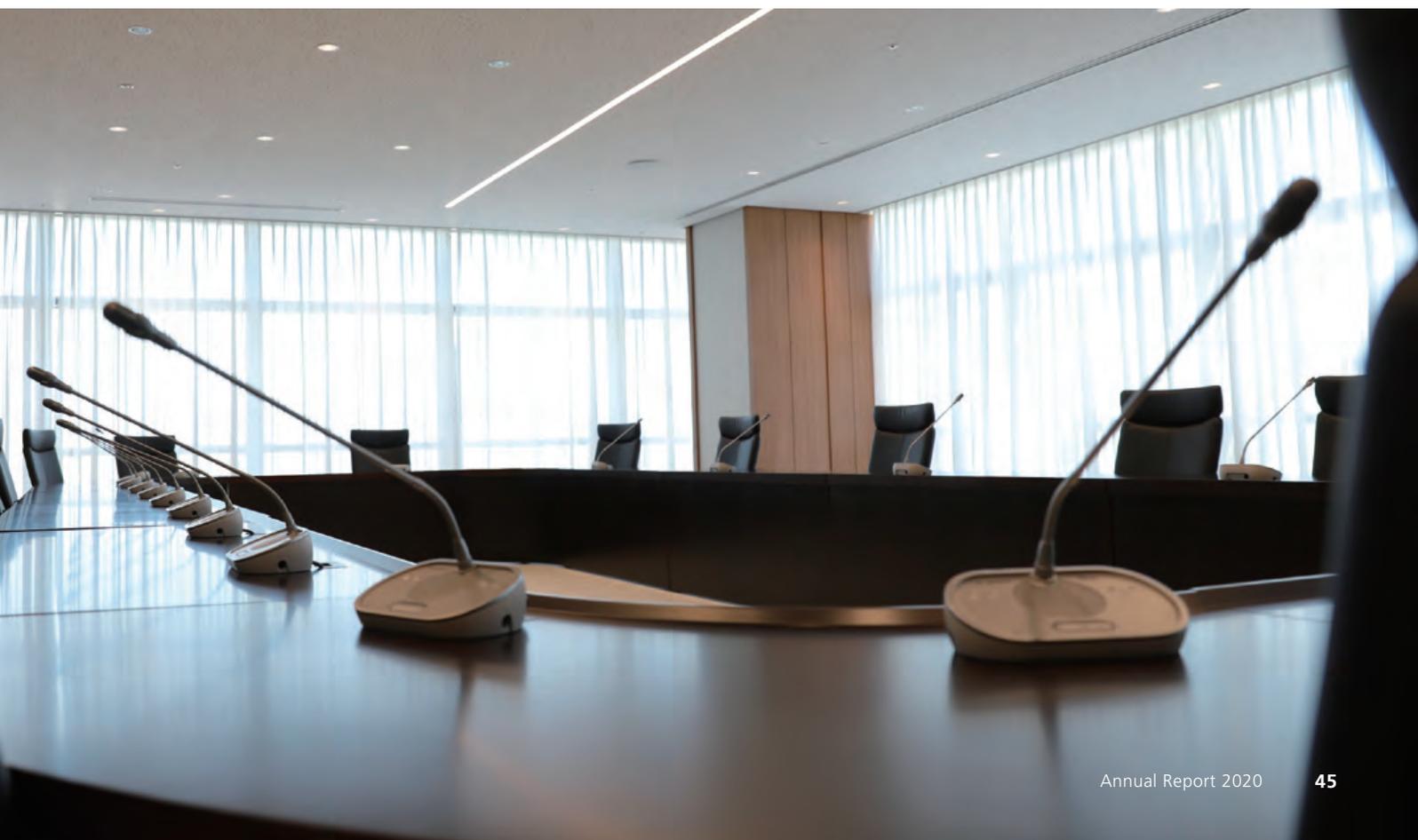
JAPAN POST HOLDINGS Co., Ltd. is the parent company of the Bank, and the Bank is the only bank in the corporate group of JAPAN POST HOLDINGS Co., Ltd. corporate group (JAPAN POST GROUP).

The Bank has close personal, capital and other relationships with JAPAN POST HOLDINGS Co., Ltd., but it makes decisions based on the Bank's responsibility and conducts management and business operations independently.

With a view to displaying the effects of mutual collaboration, cooperation and synergies in the JAPAN POST GROUP between JAPAN POST HOLDINGS Co., Ltd., JAPAN POST Co., Ltd. and JAPAN POST INSURANCE Co., Ltd. as well as increasing the value of Group companies and, in turn, that of the entire JAPAN POST GROUP, the Bank has prescribed fundamental matters relating to Group management such as principles and policies common to the Group,

and has concluded the JAPAN POST GROUP Agreement aimed at contributing to smooth Group operations.

Following this agreement, the Bank has entered into contracts regarding JAPAN POST GROUP operations with JAPAN POST HOLDINGS Co., Ltd. and these contracts decide important matters for Group operations that will be discussed in advance with and reported to JAPAN POST HOLDINGS Co., Ltd. but specify that JAPAN POST HOLDINGS Co., Ltd. will not hinder or restrain the decision-making of the Bank. Furthermore, the above agreement stipulates that the operating subsidiaries of JAPAN POST HOLDINGS, including the Bank, will take advantage of the fact that it belongs to the JAPAN POST GROUP and carry out independent and autonomous management.



# Engagement with Shareholders and Investors



While aiming for sustainable growth and improvements in corporate value over the medium to long term, the Bank promotes the establishment of strong engagement with investors and shareholders.

Through activities, we will deepen their understanding of the Bank’s business and reflect the opinions and requests of investors and shareholders in its management.

ENGAGEMENT  
1

## Promotion of initiatives to invigorate general meetings of shareholders and facilitate exercise of voting rights

\* The 14th Ordinary General Meeting of Shareholders was streamed live via the internet so that shareholders who were unable to attend could watch proceedings at home and from elsewhere.

Rapid dispatch of notices of general meetings of shareholders	The Bank sent out the convocation notice for the 14th Ordinary General Meeting of Shareholders held on June 16, 2020, on June 1. Prior to that, from May 22, the Bank had also uploaded the convocation notice to the Bank’s website and published the notice on TDnet (Tokyo Stock Exchange) and the electronic voting platform operated by ICJ, Inc.
Holding general meetings of shareholders on days that avoid conflict with other shareholders’ meetings	14th Ordinary General Meeting of Shareholders: Held on June 16, 2020
Electronic exercise of voting rights	With a view to improving the environment for exercising shareholders’ voting rights, the Bank enables voting via the internet on voting sites designated by the Bank.
Participation in electronic voting platform and other initiatives to improve environment for exercise of voting rights of institutional investors	The Bank uses the electronic voting platform operated by ICJ, Inc.
Provision of (summarized) convocation notices in English	The Bank prepares English translations of convocation notices and publishes them on its website, on TDnet (Tokyo Stock Exchange) and on the electronic voting platform operated by ICJ, Inc.

ENGAGEMENT  
2

## Provision of information through vigorous IR activities

Preparation and announcement of disclosure policy	The Bank discloses its "Disclosure Policy" on its website.
Holding regular briefings for individual investors	The Bank holds briefing sessions for individual investors throughout Japan, in order to impart an understanding of matters such as the main features of the Bank and its business strategies, as well as shareholder returns. In fiscal 2020, we will give consideration to other methods for giving presentations and holding conferences from the viewpoint of preventing the spread of COVID-19 infections.
Holding regular briefings for analysts and institutional investors	The financial status of the Bank is explained by management through teleconferences held after the announcement of earnings results every quarter and half-yearly earnings results briefings for analysts and institutional investors. In addition, the Bank takes part in conferences for institutional investors held by securities companies. In fiscal 2020, we will give consideration to other methods for giving presentations and holding conferences from the viewpoint of preventing the spread of COVID-19 infections.
Holding regular briefings for overseas investors	In addition to conducting overseas IR presentations several times a year, management also participates in conferences for institutional investors sponsored by securities companies. Moreover, the Bank translates into English information used in Japan, such as financial statements and IR materials, and publishes it on the Bank's website in an effort to minimize the information gap between domestic and overseas investors. In fiscal 2020, we will give consideration to other methods for giving presentations and holding conferences from the viewpoint of preventing the spread of COVID-19 infections.
Publication of IR materials on website	The Bank publishes earnings result information such as summary of financial results (Kessan Tanshin), timely disclosure materials other than earnings result information, securities reports and quarterly reports on its website.

ENGAGEMENT  
3

## Exchanges of opinions with shareholders and Investors



Scene from a General Meeting of Shareholders



For individual investors, we hold briefings at various locations in Japan in order to promote understanding of matters such as our main features and business strategies, as well as shareholder returns. We held 19 briefings sessions in the fiscal year ended March 31, 2020 (between April 2019 and January 2020), which were attended by a total of 821 investors. (The president and representative executive officer hosted one of the briefings.)

The 14th Ordinary General Meeting of Shareholders was held on June 16, 2020. On the day of the meeting, we introduced and provided explanations to some of the questions that the Bank had received in advance from shareholders via its website and, at the venue, received nine questions and valuable opinions from four shareholders.



Katsuaki Ikeda  
Outside Director

## Outside Director Interview

# Paving the way to the next era with innovative products and services

**Q.** From your outside perspective, in what ways are you evaluating JAPAN POST BANK's management?

**A.** I highly evaluate the advanced risk management system in fund management.

As someone who was previously in corporate management at an insurance company, I have been engaged in accounting, human resources, asset management and internal audits both from the executive side and from one corner of management. Based on these experiences, I have been paying particular attention to two aspects of management at JAPAN POST BANK: internal controls and risk management in fund management.

First of all, in terms of internal controls, JAPAN POST BANK's business structure consists of a huge number of small-scale bases, the post offices that can be regarded as its agents in every corner of Japan. As a matter of fact, establishing a mechanism to completely control all of these locations is beset with extreme difficulty. I sincerely regret to say that an internal rule violation occurred in investment trust sales. The management and all the Bank's employees, including myself as an outside director, deeply regret that this situation arose. To prevent any recurrence, I strongly feel the need for closer than ever communications with the sales front lines and for a change in awareness, so that even small problems are not overlooked. Taking this as an opportunity, the newly established Service Improvement Committee will play a central role in the years to come, and my hope is that the Bank will improve the quality of its services to a level that impresses its customers.

Next, with regard to risk management in investment management, I have experienced instances of major market fluctuations, such as the bursting of Japan's bubble economy and the Lehman Brothers crisis, from the accounting and investment department perspectives. The lesson learned from these is that it is most important to formulate a plan that can withstand large fluctuations in market prices and to accumulate the know-how to detect factors that contribute to fluctuations at an early stage. In that respect, in terms of investment, the Bank systematically discusses and boldly implements portfolio reclassifications that take market prospects into account. In the fiscal year ended March 31, 2020, I think the Bank coped admirably, for example in securing foreign currency funds and hedging its shareholdings. Of course, without being overly proud of this situation, the Bank will keep a finger on the global market pulse in the years to come, and I consider it important to enhance the systems capable of reliably latching onto those trends.

**Q.** How do you evaluate the effectiveness of the Board of Directors' meetings?

**A.** An atmosphere that is accepting of suggestions from outside the Company is being created.

At the JAPAN POST BANK Board of Directors' meetings, outside directors who possess a wide variety of experience and expertise make recommendations in a frank manner, and free and open discussions take place. I have gained a lot of insight into fields with which I was not familiar, such as in terms of responses to the move towards digitization and legal regulations. In particular, there were many occasions on which the opinions of the women present were a revelation to me. And I evaluate most highly that the entire Board of Directors creates an atmosphere that is accepting of proposals. One contributory factor in creating this remarkable environment is the existence of an executive side that responds sincerely to opinions from outside the Company. If you were to take the inward-looking attitude of ignoring advice from outside, you would be unable to achieve a highly effective board of directors. In the case of JAPAN POST BANK, the executive side discloses the information necessary for business decisions to outside directors in an open and detailed manner. Also, a thorough preliminary explanation will be given regarding the proposals to be submitted. For the very reason that a solid support system is in place to utilize such external capabilities, I think that we can provide useful, external expertise-based advice when discussing entries into new business fields, such as the digital domain.

To maintain and continue this bright and open atmosphere at Board of Directors' meetings in the years to come, I believe that both outside directors and the executive side should respect each other and make cumulative efforts with good sense.

**Q.** What are your thoughts on the medium and long term JAPAN POST BANK vision?

**A.** I would like to see them aim to remain a bank that is essential for society and that matches the needs of the times.



I believe it essential for the Bank to promote ESG and SDGs for its medium and long term growth and the creation of social value. At the present time, the Bank has adopted four priority issues (materiality) and set the SDG achievement targets related to them. Going forward, it will be important for all employees to understand the significance of and make steady progress toward these targets. In system terms, the Bank has newly established a specialized department, the ESG Office. I consider it essential for there to be a strategy that incorporates ESG and SDG perspectives in the next medium-term management plan as well. For that reason, I think that this is something to which we shall devote some time and continue to discuss at Board of Directors' meetings.

The environment surrounding the Bank is becoming increasingly uncertain and severe due to the extremely low interest rates that are becoming the norm and the market turmoil caused by the spread of the novel coronavirus. Moreover, there are signs that there will be dramatic changes in people's lifestyles. Contrastingly, precisely because of this environment, the Bank senses the possibility of providing services that are in tune with local communities, which are its strength. The post-COVID-19 era will require new products and

services that provide convenience by utilizing digital technology and are not bound by usual customs. As I and the other members of the Board of Directors will be devoting all of our efforts in aiming for a bank that can act as a beacon in these challenging times, I would like to ask all stakeholders to be sure to expect our bank.

## Board of Directors, Executive Officers and Managing Directors (As of July 1, 2020)

### Directors



Norito Ikeda

#### Reasons for Appointment

Mr. Norito Ikeda successively held various posts including Director of The Bank of Yokohama, Ltd. and President of The Ashikaga Bank, Ltd., and has been responsible for the management of JAPAN POST BANK as President and Representative Executive Officer, and as such JAPAN POST BANK expects that, with his abundant experience and achievements, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

#### Biography

**Apr. 1970** Joined The Bank of Yokohama, Ltd. **Jun. 1996** Director and General Manager, Credit Management Department of The Bank of Yokohama, Ltd. **Jun. 1997** Director and General Manager, General Planning Department of The Bank of Yokohama, Ltd. **Apr. 2001** Representative Director, Chief Financial Officer (CFO) of The Bank of Yokohama, Ltd. **Apr. 2002** Representative Director, Chief Personnel Officer (CPO) of The Bank of Yokohama, Ltd. **Jun. 2003** Director of The Bank of Yokohama, Ltd. Representative Director and Chairman of Yokohama Capital Co., Ltd. **Dec. 2003** President and Representative Director of The Ashikaga Bank, Ltd. **Jun. 2004** President and Chief Executive Officer (CEO) of The Ashikaga Bank, Ltd. **Sept. 2008** Special Advisor of A.T. Kearney K.K. **Feb. 2012** President & CEO of The Corporation of Revitalizing Earthquake affected Business **Apr. 2016** President and Representative Executive Officer of JAPAN POST BANK Co., Ltd. **Jun. 2016** Director, President and Representative Executive Officer of JAPAN POST BANK Co., Ltd. (current position) Director of JAPAN POST HOLDINGS Co., Ltd. (current position)



Susumu Tanaka

#### Reasons for Appointment

Mr. Susumu Tanaka successively held various important posts at our Corporate Administration Division and others, and has been responsible for the management of Japan Post Bank as Representative Executive Vice President, and as such JAPAN POST BANK expects that, with his abundant experience and achievements, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

#### Biography

**Apr. 1982** Joined the Ministry of Posts and Telecommunications **Jul. 2000** General Manager of International Affairs Section, Postal Bureau of the Ministry of Posts and Telecommunications **Jan. 2001** General Manager of International Planning Office, Postal Planning Section, Postal Services Planning Bureau of the Ministry of Internal Affairs and Communications **Jul. 2001** General Manager of Savings and Management Planning Section, Postal Services Planning Bureau of the Ministry of Internal Affairs and Communications **Jan. 2003** General Manager of Fund Management, Savings Department of Postal Services Agency **Apr. 2003** General Manager of Business Planning Division, Postal Savings Business Headquarters of Japan Post Corporation **Jun. 2004** Director of Preparatory Office for Privatization of Postal Services of the Cabinet Secretariat **Sept. 2004** General Manager of Business Planning Division, Postal Savings Business Headquarters, Financial Business Headquarters of Japan Post Corporation **Oct. 2007** Executive Officer of JAPAN POST BANK Co., Ltd. **Jun. 2009** Managing Executive Officer of JAPAN POST BANK Co., Ltd. **Oct. 2010** Managing Executive Officer of JAPAN POST HOLDINGS Co., Ltd. (current position) **Apr. 2012** Senior Managing Executive Officer of JAPAN POST BANK Co., Ltd. **Jun. 2013** Director and Executive Vice President of JAPAN POST BANK Co., Ltd. **Mar. 2015** Director and Representative Executive Vice President of JAPAN POST BANK Co., Ltd. (current position)



Hiroya Masuda

#### Reasons for Appointment

Mr. Hiroya Masuda successively held various important posts in government administration, including Governor of Iwate Prefecture and Minister for Internal Affairs and Communications, as well as serving as Chairman of the Postal Service Privatization Committee, and has sufficient knowledge about Japan Post Group. In addition, he has been responsible for the management of overall Japan Post Group as Representative Executive Officer, President & CEO of the parent company, JAPAN POST HOLDINGS Co., Ltd., and as such JAPAN POST BANK expects that, with his abundant experience and achievements, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

#### Biography

**Apr. 1977** Joined the Ministry of Construction **Jul. 1994** Director for Construction Disputes Settlement, Construction Industry Division, Economic Affairs Bureau, Ministry of Construction **Apr. 1995** Governor of Iwate Prefecture **Aug. 2007** Minister for Internal Affairs and Communications **Minister of State for Special Missions** **Apr. 2009** Advisor of Nomura Research Institute, Ltd. Visiting Professor of Graduate School of Public Policy, The University of Tokyo (current position) **Jan. 2020** Representative Executive Officer, President & CEO of JAPAN POST HOLDINGS Co., Ltd. **Jun. 2020** Director of JAPAN POST BANK Co., Ltd. (current position), Director and Representative Executive Officer, President & CEO of JAPAN POST HOLDINGS Co., Ltd. (current position), Director of JAPAN POST Co., Ltd. (current position), Director of JAPAN POST INSURANCE Co., Ltd. (current position)



Atsuko Onodera

#### Reasons for Appointment

Ms. Atsuko Onodera successively held various important posts at JAPAN POST HOLDINGS Co., Ltd. and JAPAN POST Co., Ltd., and has experience in the management of JAPAN POST BANK as Managing Executive Officer, and as such JAPAN POST BANK expects that, with her abundant experience and achievements, she will sufficiently fulfill her role in enhancing the decision making function and supervision function of the Board of Directors.

#### Biography

**Apr. 1981** Joined the Ministry of Posts and Telecommunications **Jun. 1998** Head of Council Office, Secretariat Division, Minister's Secretariat of the Ministry of Posts and Telecommunications **Jul. 2001** Director of Marketing Section, Postal Life Insurance Department of the Postal Services Agency **Apr. 2003** General Manager of Public Relations Department, Public Relations Division of Japan Post Corporation **Oct. 2006** Vice President of Kanto Regional Office of Japan Post Corporation **Oct. 2007** Executive Officer of Japan Post Network Co., Ltd. (current JAPAN POST Co., Ltd.) **Mar. 2012** Executive Officer and President of Hokkaido Regional Office of Japan Post Network Co., Ltd. **Sept. 2013** Executive Officer and Principal of Postal College of JAPAN POST HOLDINGS Co., Ltd. **Jun. 2017** Managing Executive Officer of JAPAN POST BANK Co., Ltd. **Jun. 2020** Director of JAPAN POST BANK Co., Ltd. (current position)

## Outside Directors



Nobuko Akashi \*1

### Targeting System Strengthening

The world is facing an unprecedented period of change. In such a severe environment, it will be essential to rebuild “sustainable systems” through swift and bold management decisions. The prerequisite for that is the trust of the many customers who entrust their important assets to us. We will provide supervision and advice from an external perspective to create future-oriented systems that can truly provide customer-oriented services.

### Reasons for Appointment

Ms. Nobuko Akashi has worked as a board chairman of a non-profit organization and an expert member of government meetings, and has deep insights on events surrounding corporate management such as service improvement and gender equality. As such JAPAN POST BANK expects that with her abundant experience and insights, she will sufficiently fulfill her role in enhancing the decision making function and supervision function of the Board of Directors.

### Biography

**Aug. 1979** Joined Japan Airlines Co., Ltd. **Apr. 1988** Joined Temporary Center Inc. (current Pasona Inc.) **Dec. 1989** Joined Image Plan Co., Ltd. **Nov. 1996** Representative Director of Brighton Y.K. (current position) **Mar. 2003** Chairman and Secretary General of a non-profit organization, Japan Manners & Protocol Association (current position) **Dec. 2012** Board chairman of a non-profit organization, Japan Manners & Protocol Association (current position) **Sept. 2013** Expert Member of Liaison Conference for the Promotion of Gender Equality, Cabinet Office, Government of Japan **Jun. 2015** Director of JAPAN POST BANK Co., Ltd. (current position) **Apr. 2019** Member of Expert Council for the Promotion of Development and Support for Children and Young People, Cabinet Office, Government of Japan (current position) **May 2019** Outside Director of YOSHINOYA HOLDINGS CO., LTD. (current position) **Jun. 2019** Member of the Board of Governors of Japan Broadcasting Corporation (current position)



Katsuaki Ikeda \*1

### Aiming for truly customer-oriented business operation

Last year, there were cases at the Bank in which we failed to adhere to the internal rules for investment trust sales, but the Service Improvement Committee was established as soon as possible, and efforts are under way to strengthen customer-oriented business operations. Needless to say, improving the quality of customer service is indispensable to the sound development of a company, and my hope is that we do not work to target quality just to impress customers.

### Reasons for Appointment

Mr. Katsuaki Ikeda has been involved in management of financial organizations for a long time, and has deep insights as a specialist of corporate management gained through his career as well as professional knowledge on finance and accounting. As such JAPAN POST BANK expects that with his abundant experience and insights, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

### Biography

**Apr. 1974** Joined Taisho Marine & Fire Insurance Co., Ltd. **Jun. 1999** General Manager of Accounting Department of Mitsui Marine & Fire Insurance Co., Ltd. **Jun. 2003** Director, Executive Officer and General Manager of Accounting Department of Mitsui Sumitomo Insurance Company, Limited **Apr. 2005** Director and Managing Executive Officer (Principal Accounting Officer) of Mitsui Sumitomo Insurance Company, Limited **Apr. 2006** Director, Managing Executive Officer and General Manager of Financial Service Division (Principal Financial Officer and Principal Investment Officer) of Mitsui Sumitomo Insurance Company, Limited **Apr. 2008** Director of Mitsui Sumitomo Insurance Group Holdings, Inc. **Apr. 2010** Director and Senior Executive Officer of Mitsui Sumitomo Insurance Company, Limited Director and Executive Officer of MS&AD Insurance Group Holdings, Inc. **Jun. 2011** Corporate Auditor of MS&AD Insurance Group Holdings, Inc. **Aug. 2015** Director of JAPAN POST BANK Co., Ltd. (current position)



Ryoji Chubachi \*1

### Trusted “Yucho”

To realize a trusted Yucho through asset management that is safe and secure for users, and initiatives that promote sustainable development of society, I will use my experience and knowledge to offer advice and suggestions from the perspective of improving value over the medium to long term.

In the current fiscal year, in addition to the emergency response to COVID-19, we will focus in particular on improving corporate governance as a priority issue.

### Reasons for Appointment

Dr. Ryoji Chubachi has been involved in corporate management of a publicly traded company for a long time, and JAPAN POST BANK expects him to sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on his abundant experience and insights as a specialist of corporate management gained through his career.

### Biography

**Apr. 1977** Joined Sony Corporation **Jun. 1999** Corporate Vice President of Sony Corporation **Jun. 2002** Corporate Senior Vice President of Sony Corporation **Jun. 2003** Executive Vice President, Executive Officer of Sony Corporation **Jun. 2004** Executive Deputy President, Corporate Executive Officer and Chief Operation Officer of Sony Corporation **Apr. 2005** Electronics Chief Executive Officer of Sony Corporation **Jun. 2005** President and Representative Corporate Executive Officer, Member of the Board of Sony Corporation **Apr. 2009** Member of the Board, Representative Corporate Executive Officer, Vice Chairman of Sony Corporation **Apr. 2013** President of National Institute of Advanced Industrial Science and Technology (incorporated administrative agency) **Apr. 2015** President of National Institute of Advanced Industrial Science and Technology (after changed legal status to a national research and development institution) **Jun. 2018** Director of JAPAN POST BANK Co., Ltd. (current position) **Apr. 2020** Grand Emeritus Advisor of National Institute of Advanced Industrial Science and Technology (current position)



Keisuke Takeuchi \*1

### For sustainable growth

In severe business circumstances, the review and promotion of the business strategy will be demanded to overcome the current situation and achieve the sustainable growth in the future. I intend to give the necessary advice based on experience and knowledge of my own to meet these. In addition, I am strongly conscious of the importance of taking into consideration the standpoint of the counterpart for any judgement and intend to make efforts to penetrate such thoughts into the organization.

### Reasons for Appointment

Mr. Keisuke Takeuchi has been involved in corporate management of a publicly traded company for a long time, and JAPAN POST BANK expects him to sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on his abundant experience and insights as a specialist of corporate management gained through his career.

### Biography

**Apr. 1970** Joined Japan Gasoline Co., Ltd (current JGC HOLDINGS CORPORATION) **Jun. 2000** Director of JGC HOLDINGS CORPORATION **Jun. 2001** Managing Director of JGC HOLDINGS CORPORATION **Jun. 2002** Senior Managing Director of JGC HOLDINGS CORPORATION **Jun. 2006** Director and Vice President of JGC HOLDINGS CORPORATION **Mar. 2007** President and Representative Director of JGC HOLDINGS CORPORATION **Jun. 2009** Chairman and Representative Director of JGC HOLDINGS CORPORATION **Jun. 2014** Principal Corporate Advisor of JGC HOLDINGS CORPORATION **Jun. 2019** Director of JAPAN POST BANK Co., Ltd. (current position)

\*1 Nobuko Akashi, Katsuaki Ikeda, Ryoji Chubachi and Keisuke Takeuchi are Outside Directors as set forth under Article 2.15 of Japan's Companies Act.



Makoto Kaiwa \*1

**Toward becoming a bank that grows with local customers**

Possessing a nationwide network, JAPAN POST BANK needs to remain a bank that is trusted and selected by customers from a region. Providing a variety of financial services by listening closely to customer and local feedback also leads to the management of electric power companies that are regarded as the foundations of those same local customers. I would like to draw on the experience in the electric power business that I have cultivated over many years to help develop JAPAN POST BANK.

**Reasons for Appointment**

Mr. Makoto Kaiwa has been involved in corporate management of a publicly traded company for a long time, and JAPAN POST BANK expects him to sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on his abundant experience and insights as a specialist of corporate management gained through his career.

**Biography**

Apr. 1973 Joined Tohoku Electric Power Co., Inc. Jun. 2005 Director and General Manager of Corporate Planning Dept. of Tohoku Electric Power Co., Inc. Jun. 2007 Senior Executive Officer and General Manager of Niigata Branch Office of Tohoku Electric Power Co., Inc. Jun. 2009 Representative Director & Executive Vice President in charge of Investor Relations of Tohoku Electric Power Co., Inc. Jun. 2010 Representative Director & President of Tohoku Electric Power Co., Inc. Jun. 2015 Representative Director & Chairman of the Board of Tohoku Electric Power Co., Inc. (current position) Jun. 2019 Director of JAPAN POST BANK Co., Ltd. (current position)



Risa Aihara \*1

**Provide services to support customers in the new era**

Unfortunately, the end to the spread of COVID-19 is not foreseeable at this time. Customers currently have to cope with major changes in the economy, society, and with their lifestyles in order to “live with COVID.” The role of digital tools in the banking space is growing rapidly, and the new environment demands optimal IT solutions for the customers’ convenience. It is my goal to support the bank and its customers with my years of experience in the internet service field.

**Reasons for Appointment**

Ms. Risa Aihara has been involved in corporate management of Internet service businesses for a long time and has deep insights into Internet marketing. As such JAPAN POST BANK expects that with her abundant experience and insights, she will sufficiently fulfill her role in enhancing the decision making function and supervision function of the Board of Directors.

**Biography**

Apr. 1996 Joined Nippon Telegraph and Telephone Corporation (current NTT Communications Corporation) May. 2000 Joined Recruit Co., Ltd. Jan. 2003 Representative Director and President of AiLAND Co., Ltd. (current position) Jun. 2019 Director of JAPAN POST BANK Co., Ltd. (current position)



Hiroshi Kawamura \*1

**Because “Yucho” is “Yucho”**

The Bank provides high-quality financial services to individual customers nationwide. In this respect, the Bank is expected to play a role as essential social infrastructure and is also required to contribute to the development of the local economy and society. Compliance is a prerequisite for the Bank to play its role and develop in response to current and future changes in society. I would therefore like to contribute by making the most of my knowledge and experience as a legal practitioner, which has included the drafting of bills to the Diet and various rules.

**Reasons for Appointment**

Mr. Hiroshi Kawamura has been in the legal profession for a long time, and JAPAN POST BANK expects him to sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on his abundant experience and insights gained through his career as a legal professional. Mr. Kawamura previously has not been involved in corporate management except as outside officer. However, we have determined that he has the capabilities to appropriately execute duties as Outside Director due to the above reasons.

**Biography**

Apr. 1977 Appointed as Public Prosecutor of Tokyo District Prosecutors Office Jul. 2008 Director-General, Trial Department of Supreme Public Prosecutors Office Jan. 2009 Chief Prosecutor of Chiba District Public Prosecutors Office Apr. 2010 Chief Prosecutor of Yokohama District Public Prosecutors Office Jan. 2012 Superintending Prosecutor of Sapporo High Public Prosecutors Office Jan. 2014 Superintending Prosecutor of Nagoya High Prosecutors Office Mar. 2015 Outside Corporate Auditor of Asahi Glass, Limited. (current AGC Inc.) Apr. 2015 Professor, Faculty of Law of Doshisha University (current position) Jun. 2015 Outside Auditor of ISHII IRON WORKS CO., LTD. Jun. 2016 Outside Director of ISHII IRON WORKS CO., LTD. (current position) Jun. 2020 Director of JAPAN POST BANK Co., Ltd. (current position)



Kenzo Yamamoto \*1

**Coronavirus Crisis: New Forms of Service and Dialogue**

The coronavirus crisis has significantly changed our lives. On the financial side as well, internet use is increasing. Regardless of those facts, the fact that JAPAN POST BANK’s business is based on communication-based trust will not change. We will quickly build new forms of financial services and dialogue and strive to remain a trusted bank.

**Reasons for Appointment**

Mr. Kenzo Yamamoto successively held various important posts at the Bank of Japan, and JAPAN POST BANK expects him to sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on his abundant experience and insights in the financial market and financial system gained through his career.

**Biography**

Apr. 1976 Joined the Bank of Japan Feb. 2002 Director-General, Financial Markets Department of the Bank of Japan May. 2003 Associate Director-General, Representative Office in New York of the Bank of Japan Dec. 2003 General Manager for the Americas and Chief Representative in New York of the Bank of Japan Jul. 2005 Director-General, Payment and Settlement Systems Department of the Bank of Japan Jul. 2006 Director-General, Financial System and Bank Examination Department of the Bank of Japan May. 2008 Executive Director of the Bank of Japan Jun. 2012 Chairman of NTT Data Institute of Management Consulting, Inc. Mar. 2016 Member of the Board as Outside Director of Bridgestone Corporation (current position) Jun. 2018 Representative of Office KY Initiative (current position) Feb. 2019 Director of TOMIYAMA CULTURAL FOUNDATION (current position) Jul. 2019 Outside Director of SUMITOMO LIFE INSURANCE COMPANY (current position) Jun. 2020 Director of JAPAN POST BANK Co., Ltd. (current position)

\*1 Makoto Kaiwa, Risa Aihara, Hiroshi Kawamura and Kenzo Yamamoto are Outside Directors as set forth under Article 2.15 of Japan’s Companies Act.

## Executive Officers

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President and Representative Executive Officer Norito Ikeda	Managing Executive Officer Masahiro Nishimori	Executive Officer Yoko Makino	Executive Officer Haruchika Tsukioka
Representative Executive Vice President Susumu Tanaka	Managing Executive Officer Masato Tamaki	Executive Officer Kunihiko Amaha	Executive Officer Hideki Nakao
Executive Vice President Yoshinori Hagino	Managing Executive Officer Minoru Kotouda	Executive Officer Satoru Ogata	Executive Officer Etsuko Kishi
Senior Managing Executive Officer Masahiro Murashima	Managing Executive Officer Toshiyuki Yazaki	Executive Officer Toshiharu Ono	Executive Officer Koji Jimura
Senior Managing Executive Officer Harumi Yano	Managing Executive Officer Takayuki Tanaka	Executive Officer Shinobu Nagura	Executive Officer Masaya Touma
Senior Managing Executive Officer Takayuki Kasama	Managing Executive Officer Makoto Shinmura	Executive Officer Ryotaro Yamada	
	Managing Executive Officer Shigeyuki Sakurai		
	Managing Executive Officer Nobuhiro Fukuoka		

## Managing Directors <sup>\*2</sup>

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Executive Managing Director David Sancho Shimizu	Managing Director Tatsuo Ichikawa	Managing Director Masashi Nakamura
Executive Managing Director Hideya Sadanaga	Managing Director Kazutoshi Rokushima	Managing Director Kazuhiro Adachi
Executive Managing Director Kazunari Yaguchi	Managing Director Shunsuke Sone	Managing Director Mari Ishikawa

\*2 Managing Directors do not fall within the scope of definition of director as set forth under Japan's Companies Act.

# Risk Management

We place a high priority on risk management and are taking steps to refine our sophisticated framework for risk management, including the identification and control of the risks associated with our operational activities.

Our basic policy is to appropriately manage risks in view of our management strategies and risk characteristics and most effectively utilize our capital. By doing so, we are able to increase enterprise value while maintaining sound finances and appropriate operations.

## Risk Categories and Definitions

We define our risks and classify them into the following categories, and manage these risks based on the unique characteristics of each type of risk.

Risk Category	Risk Definition
Market risk	Market risk is the risk of loss resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and stock prices and the risk of loss resulting from changes in earnings generated from assets and liabilities.
Market liquidity risk	Market liquidity risk is the risk that a financial institution will incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like.
Funding liquidity risk	Funding liquidity risk is the risk that a financial institution will incur losses because it finds it difficult to secure the necessary funds or is forced to obtain funds at far higher interest rates than under normal conditions due to a mismatch between the maturities of assets and liabilities or an unexpected outflow of funds.
Credit risk	Credit risk is the risk that a financial institution will incur losses from the decline or elimination of the value of assets (including off-balance sheet assets) due to deterioration in the financial condition of an entity to which credit is provided.
Operational risk	Operational risk is the risk of loss resulting from inadequate operation processes, inadequate activities by officers and employees and inadequate systems or from external events.

## Risk Management System

The Bank has identified certain risk categories outlined in the table below. Various entities have been established to manage each risk category. In addition, we have put in place the Risk Management Department, which is responsible for monitoring each risk category in an integrated manner in order to ensure the effectiveness of our comprehensive risk management. The Risk Management Department operates independently from other departments.

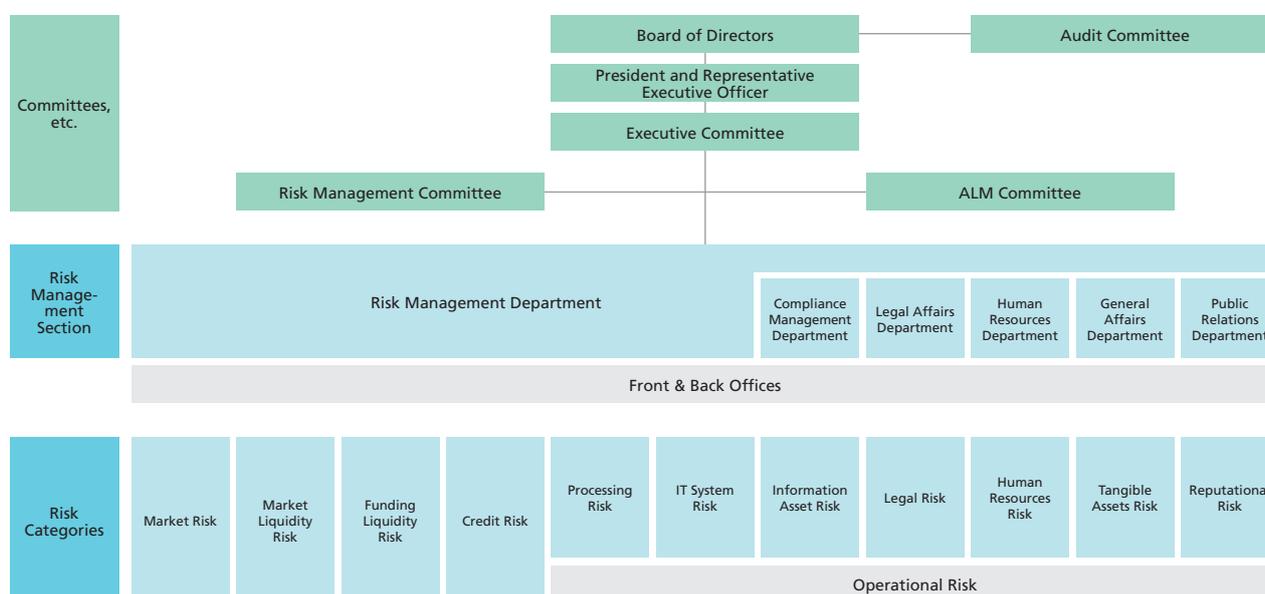
We have established special advisory committees to

the Executive Committee to handle risk management responsibilities: the Risk Management Committee and the ALM Committee. These advisory committees submit risk management reports based on risk characteristics and hold discussions about risk management policies and systems.

Prior to launching new products, services, or businesses, we assess potential risks and select appropriate methods to measure risks.

## Risk Management System

(As of July 1, 2020)



## Integrated Risk Management

We broadly classify and define risks into five categories and manage risk by using both quantitative and qualitative approaches.

In our quantitative approach, we have introduced integrated risk management that quantifies and controls risk. Specifically, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business (allocation of risk capital) in accordance with the type of expected risk and nature of the business activities. To quantify market risk and credit risk and control risk exposure, we use value at risk (“VaR”) techniques. VaR is a statistical method used to compute the maximum expected loss based on assets and liabilities held at given probabilities and for given periods of time. In addition, we perform stress tests based on multiple stress scenarios that assume deterioration in macroeconomic conditions to

assess the impact on our financial condition and capital adequacy ratio, for the purpose of verifying the appropriateness of business plans from the forward-looking standpoint of business sustainability.

In our qualitative approach, which is used in conjunction with the quantitative methodology, we assess the nature of the risks. For instance, for operational risk we have established a plan, do, check, action (“PDCA”) cycle that recognizes, evaluates, manages, and mitigates risk across our business activities.

Subject to the total amount of allocated capital approved by the Board of Directors, the allocation of risk capital is determined by the president and Representative Executive officer following discussions in the ALM Committee and the Executive Committee.

 The Risk Capital Allocation chart is on page 79.

## Response to Cyber Security\*

JAPAN POST BANK regards the risk of cyber attack as one of the top risks in management and works to continuously improve cyber security through management leadership.

The Bank has put in place a dedicated department for cyber security and assigned a CISO (Chief Information Security Officer) while maintaining Defense in depth

and detection measures. In addition to allocating human resources with specialized knowledge, the Bank is working to be able to provide customers with safe and secure services continuously by analyzing new attack methods and taking measures in cooperation with external specialized organizations.

\* To make sure that no problems arise, including the leakage or falsification of electronic data, failure of IT and control systems to perform their expected functions.

## Response to Pandemic Infectious Diseases

### Responses/Systems to Combat Novel Coronavirus (COVID-19)

If COVID-19-like infection occurs that it is considered could have a serious impact on life and health—due to its rapid nationwide spread and the fact that a vaccine, a generally effective and reliable preventive measure, has yet to be developed—the Bank will endeavor to prevent the infection from spreading to its customers, business partners, and employees. In parallel, we have

in place an established Business Continuity Plan (BCP) for new influenza.

We have also put in place a system that allows us to establish a Crisis Management Committee and other bodies that, depending on the stage of the occurrence in Japan and overseas, can respond swiftly, such as by collecting and coordinating information, preventing infections, and establishing a business continuity system.

### Specific Responses to COVID-19

- From the perspective of ensuring the safety of our customers and employees, we have reduced the number of counters and shortened the operating hours of some branches, suspended proactive sales activities through visits and at counters, installed plastic sheets to prevent infection from droplets at counters, and requested customers to consider using the Japan Post Bank Direct Internet banking service as well as to avoid congestion on pension payment dates, etc. For our employees, we have also taken measures to prevent the spread of infection such as staggered working hours, shift work, and teleworking.
- In principle, all post offices, branches, and ATMs of the Bank continue to operate. In addition, a business continuity system has been ensured through flexible staffing and backup from multiple locations for important operations such as cash deposits, withdrawals and settlements, which are necessary for customers’ daily lives, and the smooth handling of the special fixed-benefit payment under the Emergency Economic Measures to Cope with COVID-19.
- We are engaging in promotional activities in a restrictive manner that reduces risks until the turmoil in financial markets ends. When there is a prospect of an end to the turmoil, we will focus on making additional profits within a range of acceptable risk while keeping an eye on market trends.
- We are considering providing capital support to companies across the country affected by the spread of COVID-19.

# Compliance

## Compliance Policy

For JAPAN POST BANK, compliance comprises adherence not only to laws and regulations but also to internal rules, social standards of behavior, and corporate ethics by all directors and employees. We are striving to be the

most trustworthy bank in Japan, and consequently we view compliance as an important management issue. Accordingly, we conduct rigorous compliance activities.

## Compliance System

The Bank has established the Compliance Committee, which is composed of Executive Officers with responsibilities related to compliance issues. The committee holds discussions about important compliance related matters and their progress reports. In addition, the Bank has established the Compliance Management Department under the leadership of the Executive Managing Officer responsible for compliance. The department formulates compliance promotion plans and manages their progress.

We have also appointed compliance officers in certain departments who are independent from business promotion and other conflicting functions. Through their activities, we monitor the progress of the implementation of compliance-related initiatives. Moreover, we have

appointed compliance managers in departments and branches who are responsible for mentoring employees and promoting compliance.

Furthermore, in the event that an employee encounters a compliance-related issue, or an act that could lead to a compliance issue, without turning a blind eye he/she must report the matter to a superior or via our Compliance Line. When the circumstances make it difficult to report to a superior or via the Compliance Line, the employee must work to prevent a compliance violation from occurring and to quickly resolve any problems that may arise by means of the whistleblower systems that have been put in place both within and outside of the Bank and that enable employees to file reports directly.

### Compliance System

 [Home](#) > [Corporate Information](#) > [Corporate Governance](#) > [Compliance](#)

## Compliance Initiatives

Every year the Bank formulates a Compliance Program, which serves as a detailed action plan for the promotion of compliance. On the basis of this program, the Bank addresses important matters and rigorously implements compliance-related initiatives, such as conducting training sessions for employees.

### Outline of Main Measures

- Prevention of fraud
- Countering money laundering and financing of terrorism
- Customer-oriented business operations and customer protection
- Creating employee-friendly working environments

In addition, to serve as a specific guide to remaining in full compliance, the Bank formulated a Compliance Manual, which brings together the Bank's approach to compliance and important action items as well as the management of conflict of interest transactions, the prohibition of acts that fall under bribery, and the other laws to be observed. Each director and employee has received the Compliance Handbook, which contains the most important, baseline compliance items from the Compliance Manual that all JAPAN POST BANK directors and employees need to be aware of. In this way, the Bank further raises compliance awareness.

## Initiatives to Counter Money Laundering and Financing of Terrorism

In accordance with the Financial Services Agency's *Guidelines for Anti-Money Laundering and the Financing of Terrorism*, JAPAN POST BANK has established a basic policy with regard to measures against money laundering and the financing of terrorism (hereinafter referred to as money laundering countermeasures) and is promoting management-driven system upgrades based on the recognition that this is a most important management issue.

Specifically, the Bank identifies and evaluates risks based on the characteristics of the business, the situation of agents, laws and regulations and from the standpoint of preventing misuse of the various operations performed by the Bank for money laundering and other illegal

activities. To effectively reduce misuse, we take appropriate measures commensurate with the risk.

The management team will also independently and proactively take measures against money laundering and other criminal activities by utilizing specialized knowledge from outside the Company. We are working to prevent money laundering by clarifying the roles and responsibilities of officers and employees involved in measures against such illegal activities, for example by regarding the executive officer in charge of the Compliance Department as responsible for any measures taken against money laundering.

## Basic Policy on Antisocial Forces

In relation to antisocial forces that threaten social order and sound corporate activities, the basic policy of the Bank, as an organization in general, is to avoid any kind of involvement in illegal behavior and antisocial behavior and to isolate itself

from and exclude relationships with antisocial forces while cooperating with external specialist organizations such as the police under normal circumstances.

### Basic Policy on Antisocial Forces

#### 1 Response as an Organization

With regard to antisocial forces, we set out clear statements in the JAPAN POST GROUP's Charter of Corporate Conduct and internal rules, etc., and will respond for the entire organization, from senior management down. We also ensure the safety of officers and employees who respond to antisocial forces.

#### 2 Alliances with external specialist organizations

As part of normal practice, we work to build close relationships with external specialist organizations, such as the police, the Center for Removal of Criminal Organizations and lawyers.

#### 3 Breaking of all, including business, relationships

We do not have any relationships, including business relationships, with antisocial forces and refuse any unjust demands made by them.

#### 4 Civil and criminal legal responses in emergencies

We will legally respond, under both civil and criminal law, to unfair demands by antisocial forces.

#### 5 Prohibition of backroom deals and fund provision

We will never offer backroom deals or provide funds to antisocial forces.

## Privacy Protection Measures

JAPAN POST BANK has established the following privacy policy and conducts business operations based on this policy. We recognize that protecting personal data, including

specific personal information and Individual Number (hereinafter 'personal data'), is vital to offering services that can achieve a high degree of customer satisfaction.

## Measures Aimed at Managing Conflicts of Interest

The JAPAN POST GROUP has released the Japan Post Group Conflicts of Interest Management Policy. This Policy governs the management of conflicts of interest transactions by our Group as a whole in order to prevent our customers' interests from being unduly harmed.

In line with this Policy, JAPAN POST BANK has put in place a system for the proper management of transactions that have the potential to create conflicts of interest

and to prevent customer interests from being unduly harmed. Among a host of initiatives, the Bank has set up the Compliance Management Department to assume responsibility for managing and controlling conflicts of interest.

# Internal Auditing

## Internal Auditing System

The Internal Audit Division is independent from operating divisions in the head office. The division contributes to the sound and proper conduct of the Bank's operations by inspecting and assessing the Bank's operational execution and internal control systems. In this way, the Bank collects important information about the operations of audited divisions in a timely and appropriate manner.

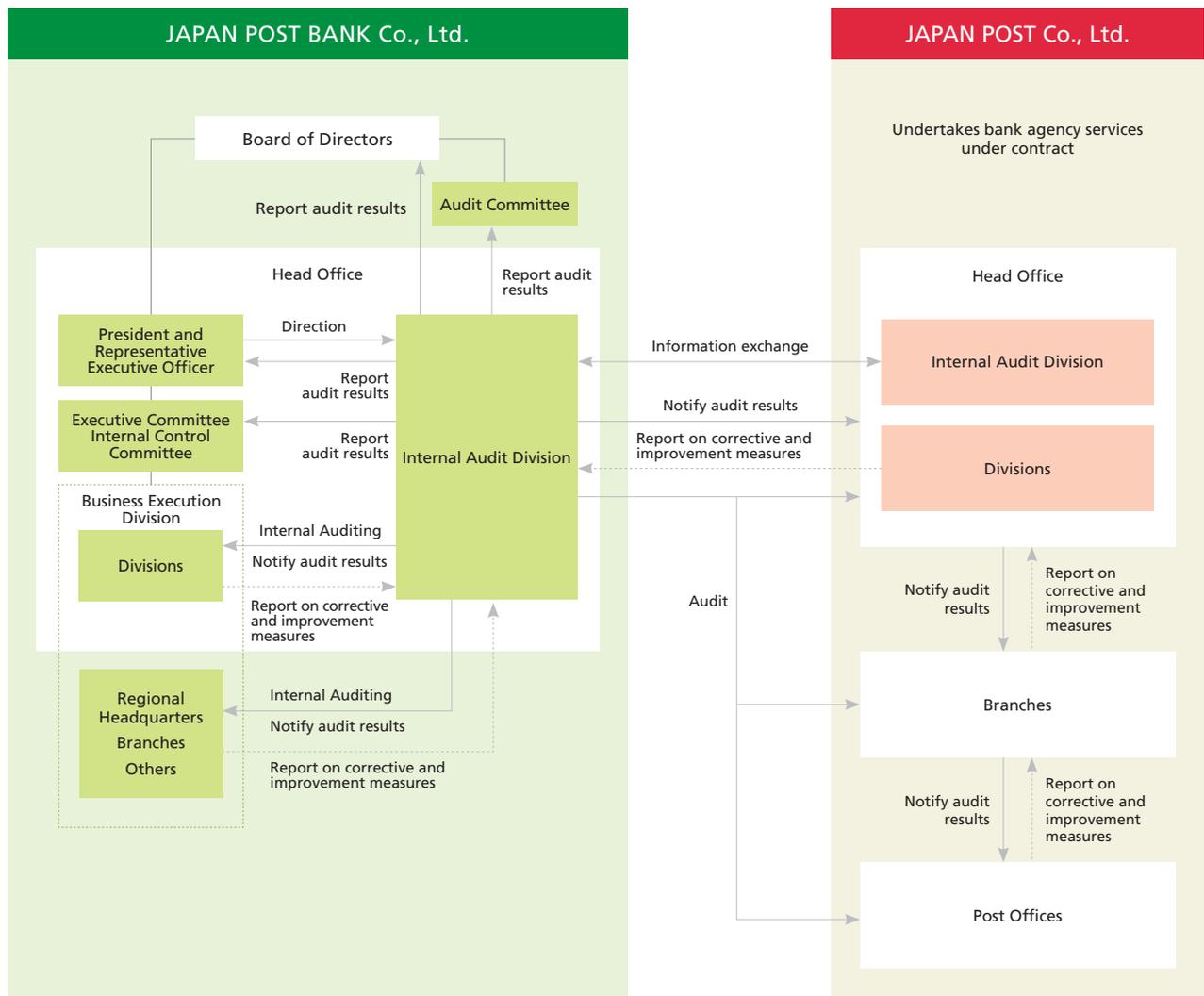
In accordance with, for example, the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA), the Internal Audit Division conducts audits of the head office divisions, Regional Headquarters, Branches, Administration Service Centers, Operation Support Centers, Seal Card Management Center, ATM Management Centers, Data Centers, Credit Card Collection Service Center and other work sites. Through these audits, the division verifies the

appropriateness and effectiveness of operational execution and internal control systems, including compliance and risk management.

In addition, the Internal Audit Division audits JAPAN POST, which undertakes bank agency services under contract. In these audits, the Internal Audit Division verifies the appropriateness of the internal control systems that are related to bank agency operations, including compliance and risk management.

In regard to major issues that are found in an audit, the division offers recommendations for correction and improvement, follows up on the progress of improvement measures, and provides reports to the President and Representative Executive Officer, the Board of Directors, and the Audit Committee.

## Internal Auditing System



# Financial Section

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# Management's Discussion and Analysis of Financial Condition and Results of Operations (Non-Consolidated)

The following section of this annual report presents management's discussion and analysis of financial condition and results of operations ("MD&A") of JAPAN POST BANK ("we," "us," "our," and similar terms). This MD&A highlights selected information and may not contain all of the information that is important to readers of this annual report. For a more complete description of events, trends, and uncertainties, as well as the capital, liquidity, and credit and market risks affecting us and our operations, readers should refer to other sections in this annual report. This section should be read in conjunction with the financial statements and notes included elsewhere in this annual report.

## RESULTS OF OPERATIONS

The following table presents information as to our income, expenses and net income for the fiscal years ended March 31, 2020 and 2019:

	Billions of yen	
	For the fiscal year ended March 31,	
	2020	2019
Interest income	¥1,318.0	¥1,357.9
Interest expenses	346.6	347.1
Net interest income	971.3	1,010.8
Fees and commissions income	160.5	138.7
Fees and commissions expenses	31.6	32.0
Net fees and commissions	128.8	106.7
Other operating income	212.8	228.9
Other operating expenses	4.3	24.7
Net other operating income (loss)	208.4	204.1
General and administrative expenses	1,018.3	1,035.3
Other income	107.8	119.6
Other expenses	19.6	35.7
Income before income taxes	378.6	370.1
Income taxes—current	101.2	99.4
Income taxes—deferred	4.3	4.5
Net income	¥ 273.0	¥ 266.1

### Fiscal Year Ended March 31, 2020 Compared to Fiscal Year Ended March 31, 2019

#### Net Interest Income

##### Interest Income

Our total interest income decreased by ¥39.9 billion, or 2.9%, from ¥1,357.9 billion in the fiscal year ended March 31, 2019 to ¥1,318.0 billion in the fiscal year ended March 31, 2020, mainly due to a decrease in interest and dividends on securities. Our interest and dividends on securities decreased by ¥33.8 billion, or 2.5%, to ¥1,279.9 billion in the fiscal year ended March 31, 2020. This decrease mainly reflected a decrease in interest on Japanese government bonds. Our interest on loans decreased by ¥0.9 billion, or 8.1%, to ¥11.1 billion in the fiscal year ended March 31, 2020, due to a decrease in the balance of loans.

## Interest Expenses

Our total interest expenses decreased by ¥0.5 billion, or 0.1%, from ¥347.1 billion in the fiscal year ended March 31, 2019 to ¥346.6 billion in the fiscal year ended March 31, 2020, mainly due to a decrease in interest on deposits. Interest expenses on deposits decreased by ¥25.7 billion, or 31.8%, to ¥55.0 billion in the fiscal year ended March 31, 2020, due to a decrease in interest rates.

## Net Interest Income

Our net interest income calculated by deducting interest expenses from interest income, decreased by ¥39.4 billion, or 3.9%, from ¥1,010.8 billion in the fiscal year ended March 31, 2019 to ¥971.3 billion in the fiscal year ended March 31, 2020. Our interest rate spread was 0.47% for the fiscal year ended March 31, 2020, a decrease from 0.49% for the fiscal year ended March 31, 2019.

## Average Balance of, and Interest, Average Earnings Yield and Average Interest Rate on, Interest-earning Assets and Interest-bearing Liabilities

The following table shows our average asset balances and related interest and average earnings yields of our interest-earning assets for the fiscal years ended March 31, 2020 and 2019. Although we do not have any overseas branches or subsidiaries, since our operations are not divided into reportable segments, we attribute yen-denominated transactions to "domestic" and foreign currency-denominated transactions to "overseas" (except that yen-denominated transactions with non-residents of Japan are included in "overseas") and record income and expenses for each category. Accordingly, the table below shows the average asset balances and interest for "domestic" and "overseas" for the periods indicated:

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2020			2019		
	Average asset balance <sup>(4)</sup>	Interest	Average earnings yield	Average asset balance <sup>(4)</sup>	Interest	Average earnings yield
<b>Interest-earning assets:<sup>(1)</sup></b>						
Loans:						
Domestic	¥ 4,947.2	¥ 11.0	0.22%	¥ 6,090.9	¥ 12.0	0.19%
Overseas	10.8	0.0	0.52	5.0	0.0	0.41
Total <sup>(2)</sup>	4,958.0	11.1	0.22	6,095.9	12.0	0.19
Securities:						
Domestic	71,842.6	492.5	0.68	77,703.6	615.0	0.79
Overseas	63,239.8	787.4	1.24	59,005.1	698.7	1.18
Total <sup>(2)</sup>	135,082.5	1,279.9	0.94	136,708.8	1,313.8	0.96
Due from banks, etc.: <sup>(3)</sup>						
Domestic	52,928.3	28.8	0.05	49,543.0	30.9	0.06
Overseas	1.2	0.0	2.35	8.8	0.1	1.86
Total <sup>(2)</sup>	52,929.6	28.9	0.05	49,551.8	31.0	0.06
<b>Total interest-earning assets:</b>						
Domestic	198,026.3	629.0	0.31	194,710.2	752.8	0.38
Overseas	63,366.9	789.4	1.24	59,119.5	700.2	1.18
Total <sup>(2)</sup>	¥203,590.0	¥1,318.0	0.64%	¥200,414.5	¥1,357.9	0.67%

Notes: (1) Income earned on money held in trust is included in "other income," and the average balance of money held in trust (¥3,129.5 billion for the fiscal year ended March 31, 2020 and ¥2,977.6 billion for the fiscal year ended March 31, 2019) is excluded from interest-earning assets.

(2) Average asset balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

(4) Average asset balance is calculated on a daily basis.

(5) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

The following table shows the average balances and related interest and average interest rates of our interest-bearing liabilities for the fiscal years ended March 31, 2020 and 2019:

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2020			2019		
	Average liability balance <sup>(3)</sup>	Interest	Average interest rate	Average liability balance <sup>(3)</sup>	Interest	Average interest rate
<b>Interest-bearing liabilities:<sup>(1)</sup></b>						
Deposits:						
Domestic	¥183,018.2	¥ 55.0	0.03%	¥181,227.6	¥ 80.8	0.04%
Overseas	—	—	—	—	—	—
Total <sup>(2)</sup>	183,018.2	55.0	0.03	181,227.6	80.8	0.04
Payables under securities lending transactions:						
Domestic	229.1	0.2	0.10	6,057.1	1.0	0.01
Overseas	2,240.7	49.3	2.20	2,619.3	59.2	2.26
Total <sup>(2)</sup>	2,469.9	49.6	2.00	8,676.5	60.2	0.69
Total interest-bearing liabilities:						
Domestic	190,695.7	79.3	0.04	187,129.4	114.9	0.06
Overseas	63,324.7	362.3	0.57	58,418.0	322.0	0.55
Total <sup>(2)</sup>	¥196,217.3	¥341.1	0.17%	¥192,132.3	¥341.8	0.17%

Notes: (1) Expenses incurred on money held in trust are included in "other expenses," and the average balance corresponding to money held in trust (¥3,129.5 billion for the fiscal year ended March 31, 2020 and ¥2,977.6 billion for the fiscal year ended March 31, 2019) and the interest expenses (¥5.4 billion for the fiscal year ended March 31, 2020 and ¥5.2 billion for the fiscal year ended March 31, 2019) are excluded from interest-bearing liabilities.

(2) Average liability balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) Average liability balance is calculated on a daily basis.

(4) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

Our average balance of interest-earning assets increased by ¥3,175.5 billion, or 1.5%, from ¥200,414.5 billion in the fiscal year ended March 31, 2019 to ¥203,590.0 billion in the fiscal year ended March 31, 2020. Our average earnings yield on interest-earning assets decreased from 0.67% in the fiscal year ended March 31, 2019 to 0.64% in the fiscal year ended March 31, 2020. As a result, our total interest income on interest-earning assets decreased from ¥1,357.9 billion in the fiscal year ended March 31, 2019 to ¥1,318.0 billion in the fiscal year ended March 31, 2020.

Our average balance of interest-bearing liabilities increased by ¥4,085.0 billion, or 2.1%, from ¥192,132.3 billion in the fiscal year ended March 31, 2019 to ¥196,217.3 billion in the fiscal year ended March 31, 2020. Our average interest rates on interest-bearing liabilities were 0.17% in the fiscal years ended March 31, 2020 and 2019. As a result, our total interest expenses on interest-bearing liabilities decreased from ¥341.8 billion in the fiscal year ended March 31, 2019 to ¥341.1 billion in the fiscal year ended March 31, 2020.

## Changes in Interest Income and Expenses Due to Changes in Balance and Interest Rate

The following table shows changes in our interest income allocated between changes in balance and changes in interest rate for the periods indicated:

	Billions of yen		
	For the fiscal year ended March 31, 2020 versus fiscal year ended March 31, 2019 increase (decrease) due to		
	Balance-related change <sup>(1)</sup>	Interest-related change <sup>(1)</sup>	Net change
<b>Interest income:</b>			
<b>Loans:</b>			
Domestic	¥ (2.4)	¥ 1.4	¥ (1.0)
Overseas	0.0	0.0	0.0
Total <sup>(2)</sup>	(2.4)	1.4	(0.9)
<b>Securities:</b>			
Domestic	(44.1)	(78.3)	(122.5)
Overseas	51.6	37.0	88.7
Total <sup>(2)</sup>	(15.5)	(18.2)	(33.8)
<b>Due from banks, etc.:<sup>(3)</sup></b>			
Domestic	2.0	(4.0)	(2.0)
Overseas	(0.1)	0.0	(0.1)
Total <sup>(2)</sup>	2.0	(4.1)	(2.1)
<b>Total interest income:</b>			
Domestic	12.6	(136.3)	(123.7)
Overseas	51.8	37.4	89.2
Total <sup>(2)</sup>	¥ 21.2	¥ (61.2)	¥ (39.9)

Notes: (1) Factors that increase or decrease both balance and interest rate are allocated based on the proportion of the increase or decrease in the balance and interest rate.

(2) Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

(4) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

The following table shows changes in our interest expenses allocated between changes in balance and changes in interest rate for the periods indicated:

	Billions of yen		
	For the fiscal year ended March 31, 2020 versus fiscal year ended March 31, 2019 increase (decrease) due to		
	Balance-related change <sup>(1)</sup>	Interest-related change <sup>(1)</sup>	Net change
<b>Interest expenses:</b>			
Deposits:			
Domestic	¥ 0.7	¥(26.5)	¥(25.7)
Overseas	—	—	—
Total <sup>(2)</sup>	0.7	(26.5)	(25.7)
Payables under securities lending transactions:			
Domestic	(1.7)	0.9	(0.7)
Overseas	(8.3)	(1.5)	(9.9)
Total <sup>(2)</sup>	(65.5)	54.8	(10.6)
Total interest expenses:			
Domestic	2.1	(37.6)	(35.5)
Overseas	27.7	12.5	40.3
Total <sup>(2)</sup>	¥ 7.1	¥ (7.8)	¥ (0.6)

Notes: (1) Factors that increase or decrease both balance and interest rate are allocated based on the proportion of the increase or decrease in the balance and interest rate.

(2) Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

Our interest income in the fiscal year ended March 31, 2020 decreased by ¥39.9 billion compared to the previous fiscal year primarily due to a decrease in interest income from domestic securities as a result of decreases in both balance of and interest rates on these securities.

Our interest expenses in the fiscal year ended March 31, 2020 decreased by ¥0.6 billion compared to the previous fiscal year primarily due to a decrease in interest on deposits as a result of a decrease in interest rates.

### Interest Rate Spread

The following table shows our yield on interest-earning assets, interest rates on interest-bearing liabilities and interest rate spread for the periods indicated:

	For the fiscal year ended March 31,	
	2020	2019
<b>Yield on interest-earning assets:</b>		
Domestic	0.31%	0.38%
Overseas	1.24	1.18
Total	0.64	0.67
<b>Interest rate on interest-bearing liabilities:</b>		
Domestic	0.04	0.06
Overseas	0.57	0.55
Total	0.17	0.17
<b>Interest rate spread:</b>		
Domestic	0.27	0.32
Overseas	0.67	0.63
Total	0.47%	0.49%

Note: (1) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

Our interest rate spread, for the fiscal year ended March 31, 2020, decreased to 0.47% from 0.49% for the previous fiscal year. This decrease was primarily the result of decreased interest rate spread on domestic assets, reflecting yen interest rates remained at a low level.

## Net Fees and Commissions

The following table sets forth our fees and commissions income and expenses for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2020	2019
<b>Fees and commissions income:</b>		
Fees and commissions on domestic and foreign exchanges	¥ 82.3	¥ 63.5
Other	78.2	75.2
Total	160.5	138.7
<b>Fees and commissions expenses:</b>		
Fees and commissions on domestic and foreign exchanges	4.7	4.4
Other	26.8	27.6
Total	31.6	32.0
Net fees and commissions	¥128.8	¥106.7

Net fees and commissions increased by ¥22.1 billion, or 20.7%, from ¥106.7 billion in the fiscal year ended March 31, 2019 to ¥128.8 billion in the fiscal year ended March 31, 2020. Fees and commissions income increased by ¥21.7 billion, or 15.6%, from ¥138.7 billion in the fiscal year ended March 31, 2019 to ¥160.5 billion in the fiscal year ended March 31, 2020, while fees and commissions expenses decreased by ¥0.3 billion to ¥31.6 billion in the fiscal year ended March 31, 2020. The increase in net fees and commissions was primarily due to an increase in fees relating to the exchange and settlement transactions as a result of revision of fees for existing services.

## Net Other Operating Income (Loss)

The following table sets forth our net other operating income (loss) for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2020	2019
<b>Other operating income:</b>		
Gains on foreign exchanges	¥202.1	¥219.4
Gains on sales of bonds	10.7	9.4
Other	—	—
Total	212.8	228.9
<b>Other operating expenses:</b>		
Losses on sales of bonds	2.6	21.7
Other	1.7	3.0
Total	4.3	24.7
Net other operating income (loss)	¥208.4	¥204.1

Net other operating income was ¥208.4 billion in the fiscal year ended March 31, 2020 as compared to net other operating income of ¥204.1 billion in the fiscal year ended March 31, 2019. This was due to a decrease in the losses on sales of bonds.

## General and Administrative Expenses

The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2020	2019
<b>General and administrative expenses:</b>		
Personnel expenses:		
Salaries and allowances	¥ 98.6	¥ 101.6
Others	21.9	22.5
Total	120.6	124.2
Non-personnel expenses:		
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	369.7	600.6
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network <sup>(1)</sup>	237.8	—
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. <sup>(2)</sup>	0.5	1.6
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59.4	59.6
Rent for land, buildings and others	11.9	13.3
Expenses on consigned businesses	64.0	65.0
Depreciation and amortization	36.1	33.6
Communication and transportation expenses	16.8	18.6
Maintenance expenses	12.4	11.8
IT expenses	16.7	16.7
Others	18.4	20.3
Total	844.3	841.6
Taxes and dues (consumption tax and stamp tax, etc.)	53.3	69.5
<b>Total</b>	<b>¥1,018.3</b>	<b>¥1,035.3</b>

Notes: (1) We make payments of contributions to the Organization for Postal Savings, Postal Life Insurance and Post Office Network in accordance with Article 18-3 of the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network.

(2) We make subsidy payments to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Act.

Our general and administrative expenses decreased 1.6% from ¥1,035.3 billion in the fiscal year ended March 31, 2019 to ¥1,018.3 billion in the fiscal year ended March 31, 2020. This decrease was mainly due to a decrease in taxes and dues.

## Other Income and Expenses

The following table sets forth our other income and expenses for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2020	2019
<b>Other income:</b>		
Gains on sales of stocks and other securities	¥ 23.1	¥ 3.2
Gains on money held in trust	75.2	79.7
Other	9.4	36.6
Total	107.8	119.6
<b>Other expenses:</b>		
Losses on sales of stocks and other securities	11.2	6.1
Losses on devaluation of stocks and other securities	0.2	8.0
Losses on money held in trust	2.4	2.0
Other	5.6	19.5
Total	19.6	35.7
Net other income (expenses)	¥ 88.1	¥ 83.8

Other income decreased by ¥11.7 billion, or 9.8%, from ¥119.6 billion in the fiscal year ended March 31, 2019 to ¥107.8 billion in the fiscal year ended March 31, 2020. Other expenses decreased by ¥16.1 billion, or 45.1%, from ¥35.7 billion in the fiscal year ended March 31, 2019 to ¥19.6 billion in the fiscal year ended March 31, 2020. As a result, net other income increased by ¥4.3 billion, or 5.1%, from ¥83.8 billion in the fiscal year ended March 31, 2019 to ¥88.1 billion in the fiscal year ended March 31, 2020. The increase was mainly due to an increase in net gains on stocks and other securities.

## Income Taxes

The following table sets forth our income taxes for the periods indicated:

	Billions of yen, except for percentages	
	For the fiscal year ended March 31,	
	2020	2019
<b>Income taxes:</b>		
Current	¥101.2	¥ 99.4
Deferred	4.3	4.5
Total income taxes	¥105.5	¥104.0
Effective income tax rate	27.8%	28.0%

Current income taxes increased by ¥1.8 billion, and deferred income taxes decreased by ¥0.2 billion, for the fiscal year ended March 31, 2020, compared to the previous fiscal year. As a result, total income taxes for the fiscal year ended March 31, 2020, increased by ¥1.5 billion compared to the previous fiscal year primarily due to an increase in income before income taxes.

The effective income tax rate was 27.8% for the fiscal year ended March 31, 2020, 2.7 percentage points lower than the effective statutory tax rate of 30.6%. The lower effective income tax rate primarily relates to the effect of nontaxable dividends received.

## Net Income

As a result of the foregoing, net income was ¥273.0 billion in the fiscal year ended March 31, 2020 as compared to net income of ¥266.1 billion in the fiscal year ended March 31, 2019.

## FINANCIAL CONDITION

### Total Assets

As of March 31, 2020, we had total assets of ¥210,905.1 billion, an increase of ¥1,934.6 billion, or 0.9%, as compared to total assets of ¥208,970.4 billion as of March 31, 2019.

### Securities Portfolio

Our securities portfolio totaled ¥135,198.4 billion as of March 31, 2020, a decrease of ¥1,936.8 billion, or 1.4%, from ¥137,135.2 billion as of March 31, 2019. This decrease was mainly due to a decrease in Japanese government bonds of ¥4,720.4 billion, or 8.0%, offset in part by an increase in other securities of overseas, which mainly consisted of foreign securities, by ¥2,251.3 billion, or 3.6%.

The following table shows a breakdown of our securities by type of security, as of the dates indicated:

	Billions of yen	
	As of March 31,	
	2020	2019
<b>Domestic:</b>		
Japanese government bonds	¥ 53,636.1	¥ 58,356.5
Japanese local government bonds	5,986.3	6,383.9
Japanese corporate bonds	9,915.2	9,795.8
Japanese stocks	3.2	99.2
Other securities	1,687.8	781.2
Subtotal	71,228.7	75,416.9
<b>Overseas:</b>		
Other securities:	63,969.6	61,718.3
Foreign bonds	23,706.8	22,035.5
Investment trusts	40,261.2	39,681.0
Subtotal	63,969.6	61,718.3
<b>Total</b>	<b>¥135,198.4</b>	<b>¥137,135.2</b>

Note: (1) "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").

Our investment securities are classified into the following primary categories:

- Held-to-maturity securities, which are expected to be held to maturity, are reported at amortized cost (using the straight-line method) based on the moving average method. These securities are not reported at fair value.
- Available-for-sale securities are, as a general principle, reported at fair value, determined based upon the average market price of the final month of the fiscal year, etc. for equity securities and at the market price at the balance sheet date for other securities. Net unrealized gains (losses) (including those relating to foreign exchange fluctuations, except where fair value hedge accounting is applicable), net of applicable taxes, are reported in a separate component of net assets.

## Held-to-Maturity Securities

The following tables set forth the amounts on the balance sheet and fair values of held-to-maturity securities, and the difference of these amounts, as of the dates indicated:

Billions of yen					
As of March 31, 2020					
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥21,038.1	¥21,513.6	¥475.5	¥475.7	¥0.2
Japanese local government bonds	1,146.7	1,148.4	1.6	2.9	1.3
Japanese corporate bonds	1,985.7	1,999.4	13.6	17.4	3.7
Others:	—	—	—	—	—
Foreign bonds	—	—	—	—	—
<b>Total</b>	<b>¥24,170.7</b>	<b>¥24,661.5</b>	<b>¥490.8</b>	<b>¥496.1</b>	<b>¥5.2</b>

Billions of yen					
As of March 31, 2019					
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥25,015.9	¥25,771.4	¥755.5	¥755.5	¥—
Japanese local government bonds	533.4	537.4	4.0	4.0	0.0
Japanese corporate bonds	1,660.7	1,689.3	28.6	28.6	0.0
Others:	32.4	37.4	5.0	5.0	—
Foreign bonds	32.4	37.4	5.0	5.0	—
<b>Total</b>	<b>¥27,242.5</b>	<b>¥28,035.7</b>	<b>¥793.1</b>	<b>¥793.2</b>	<b>¥0.0</b>

The carrying amount of our held-to-maturity securities as of March 31, 2020 was ¥24,170.7 billion, a decrease of ¥3,071.8 billion, or 11.2%, from ¥27,242.5 billion as of March 31, 2019. This decrease was primarily due to a decrease in the amount of Japanese government bonds, as a larger amount of held-to-maturity Japanese government bonds matured during the period than were newly acquired.

## Available-for-Sale Securities

The following tables set forth the amounts on the balance sheet, acquisition cost and the difference of these amounts for securities whose fair value is available as of the dates indicated:

Billions of yen					
As of March 31, 2020					
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese stocks	—	—	—	—	—
Japanese government bonds	¥ 32,597.9	¥ 31,803.7	¥ 794.2	¥ 832.0	¥ 37.8
Japanese local government bonds	4,839.5	4,813.8	25.6	26.6	0.9
Japanese corporate bonds	7,929.4	7,892.2	37.2	46.1	8.8
Others:	64,296.3	65,905.3	(1,609.0)	1,248.9	2,858.0
Foreign bonds	23,706.8	23,277.4	429.4	1,018.1	588.6
Investment trusts	40,208.6	42,249.0	(2,040.4)	228.7	2,269.1
<b>Total</b>	<b>¥109,663.3</b>	<b>¥110,415.1</b>	<b>¥ (751.8)</b>	<b>¥2,153.7</b>	<b>¥2,905.6</b>

Note: (1) Of the difference shown above, ¥308.3 billion is included in the statement of income as losses because of the application of fair value hedge accounting.

	Billions of yen									
	As of March 31, 2019									
	Carrying amount		Acquisition cost		Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost			
Japanese stocks	¥	96.9	¥	91.7	¥	5.1	¥	7.2	¥	2.0
Japanese government bonds		33,340.6		32,172.9		1,167.6		1,167.7		0.0
Japanese local government bonds		5,850.4		5,799.7		50.7		50.9		0.1
Japanese corporate bonds		8,135.1		8,054.6		80.4		81.3		0.8
Others:		61,598.3		60,773.7		824.6		1,208.2		383.6
Foreign bonds		22,003.0		21,365.3		637.7		891.1		253.4
Investment trusts		39,234.6		39,049.6		184.9		315.0		130.1
<b>Total</b>		<b>¥109,021.5</b>		<b>¥106,892.9</b>		<b>¥2,128.6</b>		<b>¥2,515.4</b>		<b>¥386.8</b>

Note: (1) Of the difference shown above, ¥266.4 billion is included in the statement of income as losses because of the application of fair value hedge accounting.

The following table sets forth the amount on the balance sheet for securities whose fair value is deemed to be extremely difficult to determine as of the dates indicated:

	Billions of yen	
	As of March 31,	
	2020	2019
Japanese stocks	¥ 0.0	¥ 0.0
Investment trusts	1,692.3	1,199.3
Investments in partnerships	30.7	21.0
<b>Total</b>	<b>¥1,723.1</b>	<b>¥1,220.4</b>

Our available-for-sale securities include Japanese stocks, domestic bonds and other securities. Domestic bonds consist of Japanese government bonds, Japanese local government bonds and Japanese corporate bonds. Other securities include foreign bonds and investment trusts.

As of March 31, 2020, the carrying amount of our domestic bonds held as available-for-sale securities was ¥45,366.9 billion, a decrease of ¥1,959.2 billion, or 4.1%, from ¥47,326.2 billion as of March 31, 2019. This decrease was primarily due to a decrease in Japanese local government bonds. As of March 31, 2020, the carrying amount of other securities was ¥64,296.3 billion, an increase of ¥2,697.9 billion, or 4.3%, from ¥61,598.3 billion as of March 31, 2019. This increase was due to an increase in our holding of foreign securities as part of our efforts to promote diversified and sophisticated investments. As of March 31, 2020, the total difference of carrying amount and acquisition cost for available-for-sale securities was ¥(751.8) billion, a decrease of ¥2,880.4 billion from a difference of ¥2,128.6 billion as of March 31, 2019. This decrease was mainly due to a decrease in the difference of carrying amount and acquisition cost of investment trusts, resulting from the rapid expansion of credit spreads from February to late March 2020, due to the disruption of financial markets associated with the outbreak of COVID-19.

#### Impairment Losses on Securities

For the fiscal year ended March 31, 2020, impairment losses amounted to ¥0.0 billion. For the fiscal year ended March 31, 2019, impairment losses amounted to ¥8.0 billion.

## Foreign Bonds

The following table sets forth the amount of foreign bonds by currency as of the dates indicated:

	Billions of yen, except for percentages			
	As of March 31,			
	2020		2019	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Japanese yen	¥ 5,086.4	21.4%	¥ 5,224.3	23.7%
U.S. dollar	15,461.9	65.2	13,629.8	61.8
Euro	2,661.7	11.2	2,798.0	12.6
Others	496.7	2.0	383.3	1.7
Total	¥23,706.8	100.0%	¥22,035.5	100.0%

As of March 31, 2020, our holdings of U.S. dollar-denominated bonds totaled ¥15,461.9 billion, an increase of ¥1,832.1 billion, or 13.4%, from ¥13,629.8 billion as of March 31, 2019. As of March 31, 2020, our holdings of Euro-denominated bonds totaled ¥2,661.7 billion, a decrease of ¥136.2 billion, or 4.8%, from ¥2,798.0 billion as of March 31, 2019. As of March 31, 2020, our holdings of foreign bonds totaled ¥23,706.8 billion, an increase of ¥1,671.3 billion, or 7.5%, from ¥22,035.5 billion, as of March 31, 2019. This increase was primarily due to our diversification and sophistication of our investments.

## Scheduled Redemption Amounts of Securities

The following tables below set forth scheduled redemption amounts of securities that have maturities as of the dates indicated:

	Billions of yen						
	As of March 31, 2020						
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Total
Japanese government bonds	¥ 7,601.3	¥22,327.4	¥ 6,667.2	¥3,327.3	¥ 4,390.6	¥ 8,076.7	¥52,390.7
Japanese local government bonds	1,189.4	1,479.1	1,525.7	691.9	1,035.4	—	5,921.7
Japanese corporate bonds	2,099.1	2,036.3	2,173.5	975.7	1,318.9	1,251.1	9,854.9
Other securities	3,700.5	4,919.3	5,188.7	1,704.9	3,268.5	6,040.0	24,822.2
Total	¥14,590.4	¥30,762.3	¥15,555.2	¥6,699.9	¥10,013.6	¥15,367.9	¥92,989.6

	Billions of yen						
	As of March 31, 2019						
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Total
Japanese government bonds	¥ 8,068.6	¥16,119.4	¥20,134.1	¥1,336.1	¥ 5,625.3	¥ 5,570.0	¥56,853.8
Japanese local government bonds	1,041.8	1,911.0	1,490.5	808.5	1,007.4	23.2	6,282.7
Japanese corporate bonds	1,944.4	2,301.6	2,117.6	835.0	1,331.8	1,164.9	9,695.5
Other securities	3,273.4	6,270.1	4,531.8	2,467.8	2,657.4	3,878.2	23,078.9
Total	¥14,328.4	¥26,602.3	¥28,274.2	¥5,447.6	¥10,622.1	¥10,636.3	¥95,911.1

## Loans

Unlike other banks in Japan, our lending activities have been limited, primarily due to regulatory restrictions on our lending business. We offer loans secured by deposits, loans secured by Japanese government bonds, loans to central, local and regional government authorities and credit card loans. We also participate in syndicated loans to corporate borrowers, though never as syndicate manager, and acquire corporate loans and others in the secondary market. As of March 31, 2020, our total outstanding loan amount was ¥4,961.7 billion.

As of March 31, 2020, there were no "Loans to bankrupt borrowers," "Past-due loans for three months or more," and "Restructured loans," while "Non-accrual delinquent loans" were ¥0.0 billion. As of March 31, 2019, there were no "Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans."

The substantial majority of our loans are made to domestic borrowers. As of March 31, 2020, we had ¥4,942.4 billion in domestic loans and ¥19.3 billion in overseas loans.

The following table shows a breakdown of our loans by industry as of the dates indicated:

	Billions of yen, except for percentages			
	As of March 31,			
	2020		2019	
	Amount	Percentage	Amount	Percentage
<b>Domestic (excluding Japan Offshore Market accounts):</b>				
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	¥ 43.5	0.8%	¥ 15.5	0.2%
Utilities, information/communications, and transportation	108.0	2.1	115.5	2.1
Wholesale and retail	31.1	0.6	37.2	0.7
Finance and insurance <sup>(1)</sup>	773.6	15.6	930.8	17.5
Construction and real estate	12.9	0.2	2.0	0.0
Services and goods rental/leasing	48.4	0.9	37.6	0.7
Central and local governments	3,782.4	76.5	3,997.6	75.5
Others	142.1	2.8	155.8	2.9
Subtotal	4,942.4	100.0	5,292.4	100.0
<b>Overseas and Japan Offshore Market accounts:</b>				
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	19.3	100.0	5.0	100.0
Subtotal	19.3	100.0	5.0	100.0
<b>Total</b>	<b>¥4,961.7</b>		<b>¥5,297.4</b>	

Notes: (1) Of "Finance and insurance," loans to the Organization for Postal Savings, Postal Life Insurance and Post Office Network were ¥439.7 billion and ¥640.6 billion as of March 31, 2020 and 2019, respectively.

(2) "Domestic" represents loans to residents of Japan, while "overseas" represents loans to non-residents of Japan.

As of March 31, 2020, our loans were ¥4,961.7 billion, or 2.3% of total assets, representing a decrease of ¥335.6 billion, or 6.3%, from March 31, 2019. The decrease in our loans was primarily due to a decrease in the balance of loans to the central and local governments.

The following table shows a breakdown of our loans by maturity:

	Billions of yen						Total
	As of March 31, 2020						
	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years to ten years	Over ten years	
Loans	¥3,155.4	¥616.4	¥387.3	¥237.9	¥288.3	¥270.4	¥4,955.9

### Money Held in Trust

We did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2020 and 2019. Money held in trust (excluding held-to-maturity purpose) as of March 31, 2020 and 2019 was as follows:

	Billions of yen, except for percentages			
	As of March 31,			
	2020		2019	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Domestic stocks	¥1,859.6	43.0%	¥2,141.7	55.1%
Domestic bonds	1,419.0	32.8	1,195.6	30.7
Others	1,038.8	24.0	546.1	14.0
<b>Total</b>	<b>¥4,317.5</b>	<b>100.0%</b>	<b>¥3,883.6</b>	<b>100.0%</b>

Assets in respect of money held in trust are primarily held in Japanese yen. As of March 31, 2020, our investments in stocks have been mainly through money held in trust, and such investments have been made for the purpose of further promoting diversification and sophistication of our investments.

## Sources of Funding and Liquidity

### Deposits

Our primary source of funding is from deposits, mainly TEIGAKU deposits and ordinary deposits. The balance of deposits as of March 31, 2020 was ¥183.0 trillion. TEIGAKU deposits can be withdrawn any time six months after the initial deposit. The interest rates on such deposits rise every six months in a staircase pattern, with duration of up to three years. After three years, the interest is compounded using fixed interest rates until the maturity of 10 years. Ordinary deposits are demand deposits designed for day-to-day use and can be used for automatic withdrawals, direct deposits and other settlement transactions. More than 90% of our deposits are from retail customers. All of our deposits are denominated in Japanese yen. As of March 31, 2020, our deposits of ¥183.0 trillion exceeded our securities of ¥135.1 trillion by ¥47.8 trillion, and our security-deposit ratio was 73.8%. These deposits provide us with a source of stable and low-cost funds. We continuously monitor fluctuations in the respective types of deposits from time to time relative to fluctuating market conditions to manage the impact of such fluctuations on our interest rate spread and liquidity.

The following table shows a breakdown of our deposits as of the dates indicated:

	Billions of yen, except for percentages			
	As of March 31,			
	2020		2019	
	Amount	Percentage	Amount	Percentage
Liquid deposits:	¥ 87,567.5	47.8%	¥ 79,959.3	44.1%
Transfer deposits	7,712.3	4.2	16,143.5	8.9
Ordinary deposits, etc. <sup>(1)</sup>	79,346.2	43.3	63,410.1	35.0
Savings deposits	508.9	0.2	405.6	0.2
Fixed-term deposits:	95,298.9	52.0	100,927.1	55.7
Time deposits	5,225.6	2.8	7,096.3	3.9
TEIGAKU deposits	90,073.2	49.2	93,830.8	51.8
Other deposits	138.2	0.0	112.5	0.0
Subtotal	183,004.7	100.0	180,999.1	100.0
Negotiable certificates of deposit	—	—	—	—
<b>Total</b>	<b>¥183,004.7</b>	<b>100.0%</b>	<b>¥180,999.1</b>	<b>100.0%</b>

Note: (1) Ordinary deposits, etc. = ordinary deposits + special deposits (those equivalent to ordinary savings deposits). Special deposits, which represent deposits received from the Organization for Postal Savings, Postal Life Insurance and Post Office Network ("the Organization"), correspond to Postal Savings Deposits that were passed on to the Organization by Japan Post Corporation. Special deposits (those equivalent to ordinary savings deposits) are the portion of deposits received from the Organization corresponding to time deposits, TEIGAKU deposits, installment deposits, housing installment deposits and education installment deposits that had reached full term and were passed on to the Organization by Japan Post Corporation.

The total balance of deposits as of March 31, 2020 was ¥183,004.7 billion, an increase of ¥2,005.5 billion from ¥180,999.1 billion as of March 31, 2019.

The following table sets forth the balances of our time deposits based on the remaining time to maturity:

	Billions of yen						Total
	As of March 31, 2020						
	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than two years	Two years to less than three years	Three years or more	
Fixed interest rates	¥1,700.0	¥1,058.1	¥1,954.4	¥212.0	¥144.1	¥156.9	¥5,225.6
Floating interest rates	—	—	—	—	—	—	—
Other time deposits	—	—	—	—	—	—	—

The following table sets forth the balances of TEIGAKU deposits based on the remaining time to maturity:

	Billions of yen					Total
	As of March 31, 2020					
	Less than one year	One year to less than three years	Three years to less than five years	Five years to less than seven years	Seven years or more	
TEIGAKU deposits	¥13,458.7	¥14,660.6	¥13,087.4	¥15,125.5	¥33,740.8	¥90,073.2

Note: (1) Figures have been calculated based on the assumption that all deposits will be held to maturity.

### Due from Banks and Interbank Funding

Currently, most of our funding, other than deposits, is from short-term borrowings in the interbank market including payables under repurchase agreements and payables under securities lending transactions. Liquidity may also be provided by redemptions of financial assets such as available-for-sale securities, call loans, receivables under resale agreements and receivables under securities borrowing transactions, as well as a reduction of due from banks. We have used and plan to use due from banks, in particular deposits with the Bank of Japan, for funding various investments as opportunities arise from time to time. The balance of due from banks increases or decreases, affected by our funding liquidity and changes in the market environment. The table below shows the outstanding amount of due from banks as of the dates indicated:

	Billions of yen	
	As of March 31,	
	2020	2019
Due from banks	¥51,330.5	¥50,458.8

### Net Assets

The table below presents information relating to our net assets as of March 31, 2020 and 2019:

	Billions of yen, except for percentages	
	As of March 31,	
	2020	2019
Capital stock	¥ 3,500.0	¥ 3,500.0
Capital surplus	4,296.2	4,296.2
Retained earnings	2,563.3	2,477.7
Treasury stock	(1,300.8)	(1,300.9)
Total shareholders' equity	9,058.7	8,973.0
Net unrealized gains (losses) on available-for-sale securities	256.8	2,440.0
Net deferred gains (losses) on hedges	(327.9)	(62.3)
Total valuation and translation adjustments	(71.0)	2,377.7
Net assets	¥ 8,987.6	¥11,350.8
Net assets as a percentage of total assets	4.2%	5.4%

Net assets as of March 31, 2020 was ¥8,987.6 billion, a decrease of ¥2,363.1 billion, or 20.8%, compared to March 31, 2019. The decrease was primarily due to a decrease in total valuation and translation adjustments as a result of market fluctuations.

## CAPITAL RESOURCE MANAGEMENT

### Capital Adequacy Ratio

As determined under the Banking Act of Japan, our capital adequacy ratio (non-consolidated, domestic standard) as of March 31, 2020 was 15.55%, a decrease of 0.22 percentage points from March 31, 2019.

Total risk-based capital, the numerator of the ratio, was ¥8,932.5 billion, an increase of ¥88.3 billion from ¥8,844.2 billion as of March 31, 2019.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥57,407.2 billion, representing an increase of ¥1,373.7 billion from ¥56,033.5 billion as of March 31, 2019.

### Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		
	As of March 31,		Y-o-Y change
	2020	2019	
Core Capital: instruments and reserves (A)	¥ 8,965,233	¥ 8,879,601	¥ 85,631
Core Capital: regulatory adjustments (B)	32,685	35,388	(2,702)
Total risk-based capital (A)-(B)=(C)	8,932,547	8,844,213	88,334
Total amount of risk-weighted assets (D)	57,407,276	56,033,562	1,373,714
Credit risk-weighted assets	54,775,080	53,334,010	1,441,069
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,632,196	2,699,551	(67,355)
Capital adequacy ratio (C)/(D) (%)	15.55	15.78	(0.22)

### Dividends (Consolidated)

Our total dividend payment for the fiscal year ended March 31, 2020 was ¥187.4 billion. The dividend per share was ¥50.00 and the dividend payout ratio was 68.5%.

## RISK MANAGEMENT

Advances in financial globalization and information technology have led to rapid growth in the diversity and complexity of banking operations, making risk management at financial institutions increasingly important. We place a high priority on risk management and are taking steps to refine our sophisticated framework for risk management, including the identification and control of the risks associated with our operational activities.

Our basic policy is to appropriately manage risks in view of our management strategies and risk characteristics and most effectively utilize our capital. By doing so, we are able to increase enterprise value while maintaining sound finances and appropriate operations.

The authorities and responsibilities of organizational entities and of directors and employees involved in risk management are assigned so that conflicts of interest do not arise. In addition, we have established a system that provides for appropriate cross-checks.

## Risk Categories and Definitions

We define our risks and classify them into the following categories, and manage these risks based on the unique characteristics of each type of risk.

Risk Category	Risk Definition
Market risk	Market risk is the risk of loss resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and stock prices and the risk of loss resulting from changes in earnings generated from assets and liabilities.
Market liquidity risk	Market liquidity risk is the risk that a financial institution will incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like.
Funding liquidity risk	Funding liquidity risk is the risk that a financial institution will incur losses because it finds it difficult to secure the necessary funds or is forced to obtain funds at far higher interest rates than under normal conditions due to a mismatch between the maturities of assets and liabilities or an unexpected outflow of funds.
Credit risk	Credit risk is the risk that a financial institution will incur losses from the decline or elimination of the value of assets (including off-balance sheet assets) due to deterioration in the financial condition of an entity to which credit is provided.
Operational risk	Operational risk is the risk of loss resulting from inadequate operation processes, inadequate activities by officers and employees and inadequate systems or from external events.
Processing risk	Processing risk is the risk of a financial institution incurring a loss from the neglect by officers and employees to conduct administrative work properly, accidents caused by them and violation of Laws conducted by them in the course of the administrative work process. The management of events that constitute processing risk also includes matters relating to administrative work that occur as a result of external impropriety.
IT system risk	IT system risk is the risk that a financial institution will incur loss because of a breakdown or malfunctioning of computer systems or other computer system inadequacies, or because of improper use of computer systems.
Information asset risk	The risk of losses arising from the loss, falsification, inappropriate use, or external leakage of information due to IT system damage or inappropriate processing.
Legal risk	The risk of losses arising from compensation for damages, penalties, or surcharges, or a decline in customer trust, due to an inability to rigorously comply with laws (including laws, ordinances, internal regulations, and processing procedures, etc.).
Human resources risk	The risk of losses arising from discriminatory acts in human resources administration.
Tangible assets risk	The risk of losses arising from damages to tangible assets resulting from natural disasters or other events.
Reputational risk	The risk of losses arising from the spread among the public, or a certain segment of the public, of false information about us, causing a loss of the Bank's credibility, damage to our image, and as a result, a loss of customers or fund-raising counterparties, or causing a worsening of transaction conditions.

## **Risk Management System**

The Bank has identified certain risk categories. Various entities have been established to manage each risk category. In addition, we have put in place the Risk Management Department, which is responsible for monitoring each risk category in an integrated manner in order to ensure the effectiveness of our comprehensive risk management. The Risk Management Department operates independently from other departments.

We have established special advisory committees to the Executive Committee to handle risk management responsibilities: the Risk Management Committee and the Asset Liability Management (ALM) Committee. These advisory committees submit risk management reports based on risk characteristics and hold discussions about risk management policies and systems.

Prior to launching new products, services, or businesses, we assess potential risks and select appropriate methods to measure risks.

Note: See page 54 for a diagram of the risk management system.

## **Compliance with Basel Regulations**

The Basel Committee on Banking Supervision has developed the Basel III global regulatory framework to ensure more resilient banks, including regulations for capital adequacy ratio, leverage ratio and liquidity. We have taken an appropriate response based on domestic standards.

Under Basel regulations, banks are required to conform to Pillar 1 (minimum requirements) including minimum capital requirements, Pillar 2 (Supervisory Review Process), which examines the adequacy of risk-based capital required for our banking business by the management of major risks including those not covered in Pillar 1, such as interest rate risk in the banking book, and credit concentration risks, and Pillar 3 (market discipline), which improve the effectiveness of market discipline through sufficient disclosures.

As of March 31, 2020, our capital adequacy ratio was 15.58% (Consolidated), above the regulatory level (4%, domestic standard).

In calculating our capital adequacy ratio, we have adopted the Standardized Approach for credit risk-weighted assets, and the Basic Indicator Approach for operational risk equivalent. We have adopted the special exemption from inclusion for the calculation of market risk equivalent.

## Integrated Risk Management

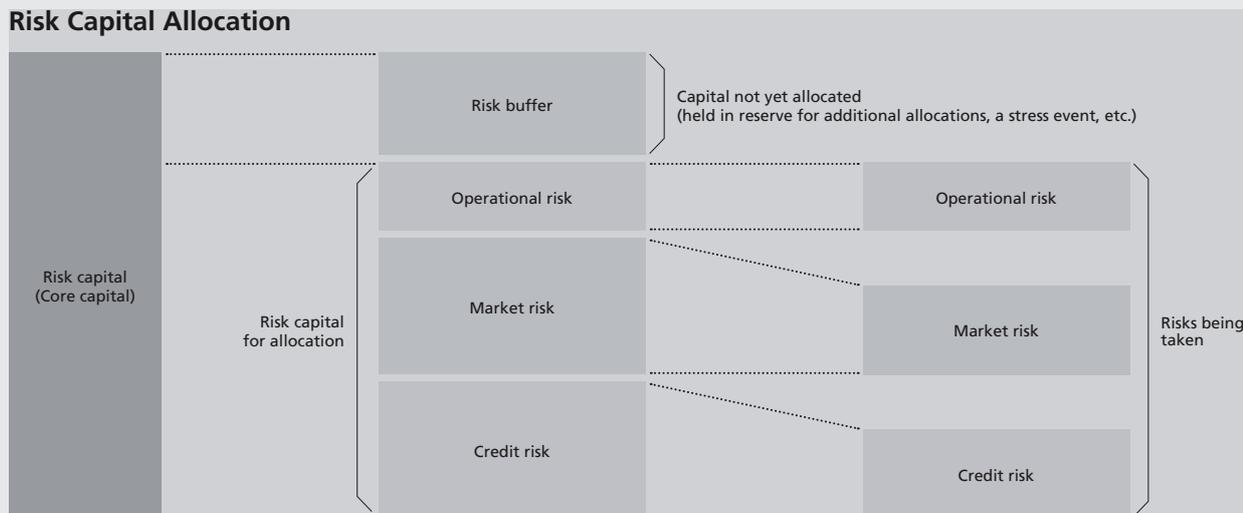
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

In our quantitative approach, we have introduced integrated risk management that quantifies and controls risk. Specifically, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business (allocation of risk capital) in accordance with the type of expected risk and nature of the business activities. To quantify market risk and credit risk and control risk exposure, we use value at risk (“VaR”) techniques. VaR is a statistical method used to compute the maximum expected loss based on assets and liabilities held at given probabilities and for given periods of time. In addition, we perform stress tests based on multiple stress scenarios that assume deterioration in macroeconomic conditions to assess the impact on our financial condition and capital adequacy ratio, for the purpose of verifying the appropriateness of business plans from the forward-looking standpoint of business sustainability.

In our qualitative approach, which is used in conjunction with the quantitative methodology, we assess the nature of the risks. For instance, for operational risk we have established a plan, do, check, action (“PDCA”) cycle that recognizes, evaluates, manages, and mitigates risk across our business activities.

Subject to the total amount of allocated capital approved by the Board of Directors, the allocation of risk capital is determined by the President and Representative Executive Officer following discussions in the ALM Committee and the Executive Committee.

### Risk Capital Allocation



## MARKET RISK MANAGEMENT / MARKET LIQUIDITY RISK MANAGEMENT

### Market Risk Management System

We manage market risk in a way that reflects the characteristics of our assets, which are principally marketable securities, and our liabilities, which are principally term deposits including TEIGAKU deposits. Through the following methods, we aim to achieve a stable income flow while appropriately controlling market risk.

We use the VaR statistical method to quantify market risk. We adjust our market risk frameworks and loss limits in order to ensure that market risk does not exceed risk capital allocated for this purpose. We conduct risk monitoring and management on an on going basis, and also carry out stress testing to account for extreme market fluctuations that might exceed our statistical estimates.

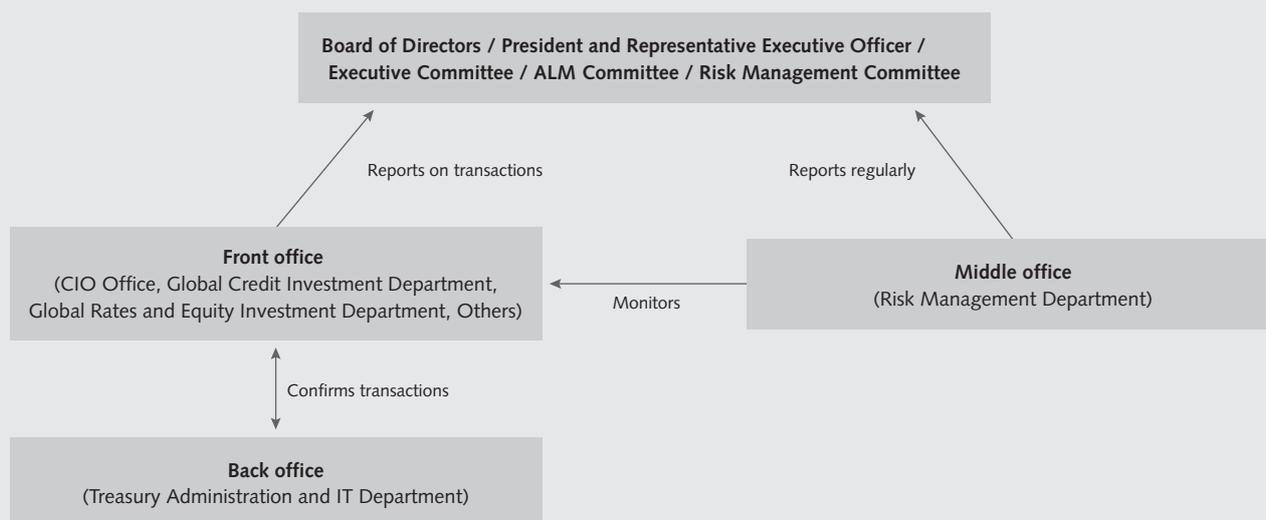
Moreover, we fully recognize the importance of interest rate risk on our business. In addition to monitoring interest rate risk on a daily basis using a 10 basis point value (10BPV) which denotes the change of present value given 10 basis points rise in the interest rates, we have established a framework to grasp interest rate risk in a multifaceted and proper manner. This included profit and loss simulations based on a variety of scenarios.

As far as the management of 10BPV is concerned, we not only make changes to the balances of assets and liabilities as well as the structure of maturities, but also employ such hedging methods as interest rate swaps.

To provide a system of cross checks and balances in market risk management, we have set up the Risk Management Department as a “middle office” that is independent from our front and back offices. Matters concerning the establishment and operation of a market risk management system and implementation of market risk management are decided through discussions in the Risk Management Committee, the ALM Committee and the Executive Committee.

Daily reports concerning our VaR, market risk limits and loss limits are made directly to management, allowing management to respond rapidly to developments. Risk analyses based on backtesting and stress testing are conducted regularly with reports made to the Executive Committee.

### Market Risk Management System



### Market Risk Measurement Model

Our VaR risk management model measures market risk based on a historical simulation method. The VaR model is based on a one-tailed confidence interval of 99%, a holding period of 240 business days (i.e., one year), and an observation period of 1,200 business days (i.e., five years).

To measure market risk relating to liquid deposits, the Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn (so-called "core deposits") and calculates the interest rate risk amount for them. Market risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow model.

### Stress Tests

VaR models statistically calculate maximum losses at a certain probability, based on historical data. Accordingly, VaR models do not appropriately measure risks in the event of extreme market fluctuations or in the event that historical assumptions do not hold. We periodically perform stress tests to shed light on risks associated with an unexpected worsening in factors unique to our portfolio as well as events in the past that regular risk assessments failed to identify. The findings are reported to the Executive Committee.

### Market Liquidity Risk Management

Our basic approach to market liquidity risk management is to monitor portfolio assets and market conditions so that we are able to take appropriate actions in line with market liquidity conditions. The Risk Management Department monitors market liquidity risk as well as market risk.

### Market Risk Exposure

In the fiscal year ended March 31, 2020, our VaR was as follows:

Currently, we are engaged only in banking operations. We do not conduct trading operations.

### VaR (From April 1, 2019 to March 31, 2020)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2020	¥2,925.3	¥3,509.7	¥2,710.6	¥3,328.4

## FUNDING LIQUIDITY RISK MANAGEMENT

Our basic approach to funding liquidity risk management is to closely monitor our funding conditions and take timely and appropriate actions when necessary. In addition, we maintain appropriate liquidity reserves in preparation for unexpected fund outflows.

The Risk Management Department, which was originally established to manage funding liquidity risk, conducts monitoring and analysis of funding liquidity risk.

In managing funding liquidity risk, we establish, monitor, and manage funding liquidity indicators to ensure stable liquidity management.

In accordance with funding liquidity and fund-raising trends, we have categorized risk into three stages: "normal," "concerned," and "emergency." We have determined the principal measures we will take in the event that funding liquidity risk reaches the "concerned" or "emergency" stages.

# CREDIT RISK MANAGEMENT

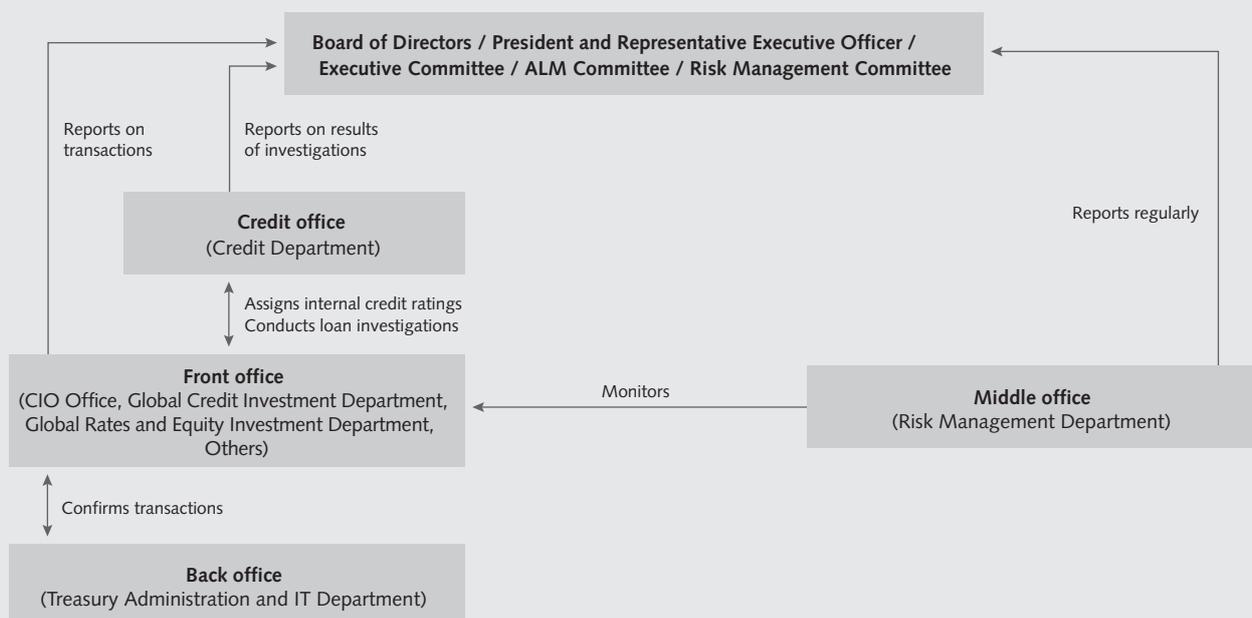
## Credit Risk Management System

The Risk Management Department provides a system of cross checks and balances in credit risk management, as a “middle office” that is independent from our front and back offices. The Risk Management Department oversees credit risk management, including credit risk measurement, credit concentration risk management, and the internal rating system. Matters concerning our credit risk management system are decided through regular discussions at the Executive Committee, the Risk Management Committee and the ALM Committee.

We use the VaR statistical method to quantify credit risk. We monitor our credit risk limit amounts on an ongoing basis in order to ensure that VaR does not exceed allocated risk capital. We also carry out stress testing to consider the possibility of credit risk due to large-scale economic fluctuations outside those in the VaR model. In addition, we set exposure limits for individual companies, corporate groups, countries and regions while engaging in a variety of activities including the monitoring and management of credit risk in order to control the concentration of credit.

We manage our credit risk using an internal credit rating system. Our Credit Department handles all credit investigations and assigns internal credit ratings to borrowers. In addition, it monitors borrowers.

## Credit Risk Management System



## Basic Principles of the Credit Code

The credit code establishes the basic philosophy and action guidelines for all our officers and employees to follow in the conduct of sound and proper credit business operations. The credit code has basic principles focusing on public welfare, soundness and profitability.

## Measuring Credit Risk

To measure our credit risk amount (VaR), we use a model which adopts the Monte Carlo method using a one-tailed confidence interval of 99% and holding period of one year.

## Stress Tests

VaR is a measurement of credit risk calculated using statistics based on certain probabilities derived from default rates and other data. It is therefore inadequate to measure any risks arising from a deterioration in creditworthiness caused by large-scale economic fluctuations. We periodically perform stress tests to shed light on risks associated with an unexpected worsening in factors unique to our portfolio as well as events in the past that regular risk assessments failed to identify. The findings are reported to the Executive Committee.

## Internal Credit Ratings

Internal credit ratings are used for various purposes such as in credit policies in daily credit management, credit risk measurement, appropriate pricing, management of the credit portfolio, initial self-assessments, and in making preparations related to write-offs and reserves. Accordingly, in accordance with their credit rating, borrowers are classified into the following 14 categories.

### Internal Credit Rating System

Grades	Concept	Category
1	Has highest credit standing and many superior attributes.	Normal
2	Has exceedingly high credit standing and superior attributes.	
3	Has high credit standing and certain superior attributes.	
4	Has sufficient credit standing but requires attention in case of significant changes in the environment.	
5	Has no problems with credit standing at this point but has attributes requiring attention in case of changes in the environment.	
6	Has no current problems with credit standing but has attributes requiring constant attention.	
7	Has problems with loan conditions, such as by seeking interest rate reductions or rescheduling. Has problems with performance, such as overdue payments of principal or interest. Also has attributes requiring attention to management in the future, such as weak or unstable results or financial problems.	
		b
8	Payment of principal or interest is past due three months or more calculated from the day following the scheduled payment date. Or, to facilitate the recovery of the loan, loan provisions have been eased to assist in the restructuring of the borrower or otherwise assisting the borrower. The borrower has fallen into business difficulties.	(Borrowers requiring monitoring)
9	Is not currently in bankruptcy but is having management problems. Progress with management improvement plan is not exceptional, and there is a high probability of bankruptcy in the future.	Doubtful borrowers
10	Is not yet legally bankrupt but is in serious financial difficulty. Deemed to have no prospects for restructuring. Effectively bankrupt.	Substantially bankrupt borrowers
11	Legally bankrupt.	Bankrupt borrowers

## Self-assessments, Write-Offs, and Reserves

One key aspect of our credit risk management system is conducting self-assessments to classify our assets, based on degree of risk, by estimating the risk of non-recovery or loss in value. These self-assessments are the preparatory work for appropriate accounting treatment, including write-offs and reserve for possible loan losses.

Detailed accounting standards for reserve for possible loan losses are as follows.

In accordance with predefined standards for write-offs and reserves, reserve for possible loan losses is provided for, as described below, in accordance with borrower categories stipulated in “Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions” (Japanese Institute of Certified Public Accountants, Special Committee for Audits of Banks, etc., Report No. 4). Operational divisions conduct assessments of all loans in accordance with our standards for loan self-assessments. The results of those assessments are audited by the Internal Audit Planning Department, which is independent from operational divisions. The reserve is provided for in accordance with those assessments.

Loans to borrowers classified as normal or requiring caution are divided into groups, and the expected loss amount for each classification is reserved based on the data provided by credit rating agencies.

For loans to doubtful borrowers, we subtract from the loan balance both the estimated collectible amount from collateral and the estimated collectible amount from guarantees. We then make a provision at an amount equal to a portion of the resulting amount, based on our judgment.

For loans to bankrupt borrowers and loans to substantially bankrupt borrowers, we subtract from the loan balance both the estimated collectible amount from collateral and the estimated collectible amount from guarantees. We then make a provision at an amount equal to the entire resulting amount.

## Asset Classifications

Asset Category	Description
Unclassified (Type I)	Not classified as type II, III, or IV and deemed to have no problems in regard to recovery risk or damage to asset value.
Type II	Above-ordinary level of recovery risk due to failure to meet contractual obligations or to doubts about credit-related issues, etc.
Type III	Final recovery or asset value is very doubtful. There is a high risk of incurring a loss but it is difficult to rationally calculate the amount of that loss.
Type IV	Assessed as unrecoverable or worthless.

## Management of Individual Borrowers

We regularly monitor borrowers' loan repayment status, financial conditions, and other matters that affect credit standing in order to respond to the credit risks of borrowers in a timely and appropriate manner. We also more closely monitor certain borrowers depending on their business condition, such as borrowers subject to possible credit rating downgrades or experiencing sharp drop in stock price.

## OPERATIONAL RISK MANAGEMENT

Operational risk is the risk that losses will be incurred due to inadequate or failed internal processes, people and systems, or due to external events. We classify operational risk into seven categories: processing, IT system, information assets, legal, human resources, tangible assets, and reputational risks. Operational risk is managed in an integrated manner, by the Risk Management Department.

We identify, assess, control, monitor, and mitigate risk for each risk category to manage operational risk and to maintain the soundness of our operations.

The risk management process identifies risks associated with business operations and assesses these risks based on the occurrence frequency, and the degree of their impact on operations. Through the implementation of Risk & Control Self-Assessment ("RCSA"), operational risks and the control effectiveness for mitigating these risks are regularly assessed and examined. RCSA points out areas that require improvement and aspects of our risk management activities that need to be reinforced. Based on the results, we form improvement plans, establish measures to further mitigate risk exposure, and take the required actions.

We maintain an operational risk reporting system, which reports the occurrence of issues such as operational incidents and systemic issues. We analyze the contents of these reports to determine the causes of these incidents and problems and identify trends. This process yields fundamental data for formulating and executing effective countermeasures.

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEETS

As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Assets:</b>			
Cash and due from banks (Notes 19, 22 and 23)	¥ 51,665,251	¥ 50,698,686	\$ 474,733,539
Call loans (Note 22)	1,040,000	400,000	9,556,188
Receivables under resale agreements (Note 22)	9,731,897	8,368,139	89,422,934
Receivables under securities borrowing transactions (Note 22)	112,491	—	1,033,647
Monetary claims bought (Notes 22 and 23)	315,812	295,679	2,901,892
Trading account securities (Notes 22 and 23)	31	2	291
Money held in trust (Notes 22 and 23)	4,549,736	3,990,780	41,805,902
Securities (Notes 6, 21, 22, 23 and 24)	135,204,565	137,138,590	1,242,346,463
Loans (Notes 22 and 25)	4,961,733	5,297,424	45,591,599
Foreign exchanges (Note 3)	147,469	80,396	1,355,046
Other assets (Notes 4, 6, 22 and 24)	2,816,182	2,452,406	25,876,893
Tangible fixed assets (Note 5):	193,952	201,906	1,782,161
Buildings	79,008	75,126	725,981
Land	67,250	67,250	617,944
Construction in progress	1,427	3,745	13,117
Other	46,265	55,783	425,118
Intangible fixed assets:	47,318	51,018	434,794
Software	37,215	43,987	341,960
Other	10,103	7,031	92,833
Deferred tax assets (Note 27)	125,468	61	1,152,888
Reserve for possible loan losses (Note 22)	(1,031)	(958)	(9,475)
<b>Total assets</b>	<b>¥210,910,882</b>	<b>¥208,974,134</b>	<b>\$1,937,984,767</b>

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Liabilities:</b>			
Deposits (Notes 6, 7, 22 and 24)	¥183,001,984	¥180,997,116	\$1,681,539,878
Payables under repurchase agreements (Notes 6 and 22)	14,855,624	11,569,371	136,503,031
Payables under securities lending transactions (Notes 6 and 22)	2,219,384	2,473,457	20,393,132
Commercial paper (Note 22)	—	28,029	—
Borrowed money (Notes 6, 8 and 22)	10,100	3,900	92,805
Foreign exchanges (Note 3)	511	628	4,697
Other liabilities (Notes 9, 22 and 24)	1,597,067	1,355,311	14,674,880
Reserve for bonuses	7,478	7,858	68,713
Liability for retirement benefits (Note 26)	134,232	134,837	1,233,418
Reserve for employee stock ownership plan trust	605	839	5,566
Reserve for management board benefit trust	311	238	2,862
Reserve for reimbursement of deposits	80,324	88,332	738,075
Deferred tax liabilities (Note 27)	—	951,844	—
<b>Total liabilities</b>	<b>201,907,626</b>	<b>197,611,768</b>	<b>1,855,257,062</b>
Contingent liabilities (Note 10)			
<b>Net assets (Note 18):</b>			
Capital stock (Note 11)	3,500,000	3,500,000	32,160,249
Capital surplus	4,296,285	4,296,286	39,477,037
Retained earnings	2,563,840	2,477,878	23,558,216
Treasury stock	(1,300,881)	(1,300,926)	(11,953,334)
Total shareholders' equity	9,059,245	8,973,237	83,242,169
Net unrealized gains (losses) on available-for-sale securities (Note 23)	256,874	2,440,024	2,360,327
Net deferred gains (losses) on hedges	(327,940)	(62,353)	(3,013,329)
Accumulated adjustments for retirement benefits (Note 26)	5,131	6,488	47,148
Total accumulated other comprehensive income	(65,935)	2,384,159	(605,853)
Non-controlling interests	9,945	4,968	91,389
<b>Total net assets</b>	<b>9,003,256</b>	<b>11,362,365</b>	<b>82,727,705</b>
<b>Total liabilities and net assets</b>	<b>¥210,910,882</b>	<b>¥208,974,134</b>	<b>\$1,937,984,767</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

For the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Income:</b>			
Interest income:	¥1,317,832	¥1,357,775	\$12,109,093
Interest on loans	11,113	12,093	102,120
Interest and dividends on securities	1,279,804	1,313,603	11,759,666
Interest on call loans	62	286	575
Interest on receivables under resale agreements	(4,663)	(1,203)	(42,855)
Interest on receivables under securities borrowing transactions	674	910	6,199
Interest on deposits with banks	27,824	29,758	255,668
Other interest income	3,016	2,326	27,718
Fees and commissions	160,564	138,794	1,475,371
Other operating income (Note 12)	212,888	228,925	1,956,154
Other income (Note 13)	108,306	119,917	995,192
Total income	1,799,592	1,845,413	16,535,811
<b>Expenses:</b>			
Interest expenses:	346,634	347,157	3,185,104
Interest on deposits	55,096	80,834	506,263
Interest on payables under repurchase agreements	78,877	59,101	724,777
Interest on payables under securities lending transactions	49,605	60,297	455,811
Interest on commercial paper	614	1,788	5,649
Other interest expenses	162,439	145,136	1,492,602
Fees and commissions	31,673	32,032	291,035
Other operating expenses (Note 14)	4,390	24,779	40,344
General and administrative expenses (Note 15)	1,019,570	1,036,400	9,368,472
Other expenses (Note 16)	18,691	35,171	171,748
Total expenses	1,420,961	1,475,542	13,056,705
<b>Income before income taxes</b>	<b>378,631</b>	<b>369,870</b>	<b>3,479,105</b>
<b>Income taxes (Note 27):</b>			
Current	101,366	99,555	931,419
Deferred	4,314	4,534	39,641
Total income taxes	105,680	104,090	971,061
<b>Net income</b>	<b>272,950</b>	<b>265,780</b>	<b>2,508,044</b>
<b>Net loss attributable to non-controlling interests</b>	<b>(485)</b>	<b>(409)</b>	<b>(4,460)</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 273,435</b>	<b>¥ 266,189</b>	<b>\$ 2,512,505</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Net income</b>	<b>¥ 272,950</b>	<b>¥ 265,780</b>	<b>\$ 2,508,044</b>
<b>Other comprehensive income (loss) (Note 17):</b>	<b>(2,450,194)</b>	<b>(242,403)</b>	<b>(22,513,965)</b>
Net unrealized gains (losses) on available-for-sale securities	(2,183,250)	(175,485)	(20,061,108)
Net deferred gains (losses) on hedges	(265,586)	(65,472)	(2,440,383)
Adjustments for retirement benefits	(1,357)	(1,445)	(12,473)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	(0)	0	(0)
<b>Comprehensive income (loss)</b>	<b>(2,177,244)</b>	<b>23,376</b>	<b>(20,005,920)</b>
Total comprehensive income (loss) attributable to:			
Owners of parent	(2,176,658)	23,863	(20,000,537)
Non-controlling interests	¥ (585)	¥ (486)	\$ (5,383)

Per Share of Common Stock	Yen		U.S. dollars (Note 1)
	2020	2019	2020
Basic net income (Note 30)	¥72.94	¥71.00	\$0.67

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the fiscal years ended March 31, 2020 and 2019

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>2020</b>					
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,286	¥2,477,878	¥(1,300,926)	¥8,973,237
Changes during the fiscal year:					
Cash dividends			(187,473)		(187,473)
Net income attributable to owners of parent			273,435		273,435
Repurchase of treasury stock				(358)	(358)
Disposal of treasury stock				404	404
Changes in equity of parent due to transactions with non-controlling shareholders		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	(0)	85,962	45	86,007
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥2,563,840	¥(1,300,881)	¥9,059,245

	Millions of yen					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
<b>2020</b>						
Balance at the beginning of the fiscal year	¥ 2,440,024	¥ (62,353)	¥ 6,488	¥ 2,384,159	¥4,968	¥11,362,365
Changes during the fiscal year:						
Cash dividends						(187,473)
Net income attributable to owners of parent						273,435
Repurchase of treasury stock						(358)
Disposal of treasury stock						404
Changes in equity of parent due to transactions with non-controlling shareholders						(0)
Net changes in items other than shareholders' equity	(2,183,150)	(265,586)	(1,357)	(2,450,094)	4,977	(2,445,116)
Total changes during the fiscal year	(2,183,150)	(265,586)	(1,357)	(2,450,094)	4,977	(2,359,109)
Balance at the end of the fiscal year	¥ 256,874	¥(327,940)	¥ 5,131	¥ (65,935)	¥9,945	¥ 9,003,256

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
2019	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥2,399,162	¥(1,300,717)	¥8,894,730
Changes during the fiscal year:					
Cash dividends			(187,473)		(187,473)
Net income attributable to owners of parent			266,189		266,189
Repurchase of treasury stock				(542)	(542)
Disposal of treasury stock				333	333
Changes in equity of parent due to transactions with non-controlling shareholders		0			0
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	0	78,716	(209)	78,507
Balance at the end of the fiscal year	¥3,500,000	¥4,296,286	¥2,477,878	¥(1,300,926)	¥8,973,237

	Millions of yen					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
2019	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	¥2,615,432	¥ 3,119	¥ 7,934	¥2,626,485	¥ 463	¥11,521,680
Changes during the fiscal year:						
Cash dividends						(187,473)
Net income attributable to owners of parent						266,189
Repurchase of treasury stock						(542)
Disposal of treasury stock						333
Changes in equity of parent due to transactions with non-controlling shareholders						0
Net changes in items other than shareholders' equity	(175,408)	(65,472)	(1,445)	(242,326)	4,504	(237,821)
Total changes during the fiscal year	(175,408)	(65,472)	(1,445)	(242,326)	4,504	(159,314)
Balance at the end of the fiscal year	¥2,440,024	¥(62,353)	¥ 6,488	¥2,384,159	¥4,968	¥11,362,365

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Continued)

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>2020</b>					
Balance at the beginning of the fiscal year	\$32,160,249	\$39,477,037	\$22,768,340	\$(11,953,750)	\$82,451,878
Changes during the fiscal year:					
Cash dividends			(1,722,629)		(1,722,629)
Net income attributable to owners of parent			2,512,505		2,512,505
Repurchase of treasury stock				(3,298)	(3,298)
Disposal of treasury stock				3,714	3,714
Changes in equity of parent due to transactions with non-controlling shareholders		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	(0)	789,876	415	790,291
Balance at the end of the fiscal year	\$32,160,249	\$39,477,037	\$23,558,216	\$(11,953,334)	\$83,242,169

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>2020</b>						
Balance at the beginning of the fiscal year	\$ 22,420,513	\$ (572,946)	\$ 59,622	\$ 21,907,188	\$45,649	\$104,404,717
Changes during the fiscal year:						
Cash dividends						(1,722,629)
Net income attributable to owners of parent						2,512,505
Repurchase of treasury stock						(3,298)
Disposal of treasury stock						3,714
Changes in equity of parent due to transactions with non-controlling shareholders						(0)
Net changes in items other than shareholders' equity	(20,060,185)	(2,440,383)	(12,473)	(22,513,042)	45,739	(22,467,302)
Total changes during the fiscal year	(20,060,185)	(2,440,383)	(12,473)	(22,513,042)	45,739	(21,677,011)
Balance at the end of the fiscal year	\$ 2,360,327	\$(3,013,329)	\$ 47,148	\$ (605,853)	\$91,389	\$ 82,727,705

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 378,631	¥ 369,870	\$ 3,479,105
Adjustments for:			
Depreciation and amortization	36,263	33,693	333,208
Losses on impairment of fixed assets	0	550	1
Gains on negative goodwill	(48)	—	(441)
Losses (gains) on step acquisitions	21	—	198
Equity in losses (gains) of affiliates	(239)	(227)	(2,199)
Net change in reserve for possible loan losses	72	(107)	664
Net change in reserve for bonuses	(380)	(48)	(3,500)
Net change in liability for retirement benefits	(618)	(817)	(5,682)
Net change in reserve for employee stock ownership plan trust	(233)	30	(2,148)
Net change in reserve for management board benefit trust	73	94	670
Net change in reserve for reimbursement of deposits	(8,008)	2,218	(73,584)
Interest income	(1,317,832)	(1,357,775)	(12,109,093)
Interest expenses	346,634	347,157	3,185,104
Losses (gains) related to securities—net	(19,912)	23,225	(182,969)
Losses (gains) on money held in trust—net	(72,838)	(77,717)	(669,286)
Foreign exchange losses (gains)—net	(87,351)	(579,641)	(802,645)
Losses (gains) on sales and disposals of fixed assets—net	532	3,556	4,896
Net change in loans	334,007	846,288	3,069,073
Net change in deposits	2,004,868	1,115,787	18,422,022
Net change in borrowed money	6,200	1,500	56,969
Net change in call loans, etc.	(2,023,847)	(8,300,349)	(18,596,409)
Net change in receivables under securities borrowing transactions	(112,491)	8,224,153	(1,033,647)
Net change in call money, etc.	3,286,253	9,584,086	30,196,205
Net change in commercial paper	(28,029)	(163,451)	(257,552)
Net change in payables under securities lending transactions	(254,073)	(11,338,666)	(2,334,587)
Net change in foreign exchange assets	(67,072)	7,090	(616,309)
Net change in foreign exchange liabilities	(117)	318	(1,078)
Interest received	1,379,285	1,372,572	12,673,760
Interest paid	(405,217)	(781,463)	(3,723,397)
Other—net	(360,841)	(283,693)	(3,315,647)
Subtotal	3,013,687	(951,766)	27,691,700
Income taxes paid	(77,721)	(168,961)	(714,151)
Net cash provided by (used in) operating activities	2,935,966	(1,120,727)	26,977,548
<b>Cash flows from investing activities:</b>			
Purchases of securities	(23,045,866)	(22,215,902)	(211,760,233)
Proceeds from sales of securities	2,235,051	2,673,751	20,537,089
Proceeds from maturity of securities	19,843,681	22,155,613	182,336,501
Investment in money held in trust	(1,427,732)	(430,334)	(13,118,921)
Proceeds from disposition of money held in trust	632,179	590,781	5,808,868
Purchases of tangible fixed assets	(16,385)	(48,148)	(150,559)
Purchases of intangible fixed assets	(9,193)	(15,012)	(84,479)
Proceeds from purchases of stocks of subsidiaries resulting in change in the scope of consolidation	487	—	4,477
Other—net	419	2,982	3,850
Net cash provided by (used in) investing activities	(1,787,359)	2,713,730	(16,423,405)
<b>Cash flows from financing activities:</b>			
Repurchase of treasury stock	(358)	(542)	(3,298)
Proceeds from disposal of treasury stock	82	54	760
Proceeds from investments by non-controlling shareholders	5,590	4,991	51,367
Cash dividends paid	(187,553)	(187,444)	(1,723,359)
Cash dividends paid to non-controlling interests	(26)	—	(240)
Purchases of investments in subsidiaries not resulting in change in the scope of consolidation	(1)	—	(10)
Proceeds from sale of investments in subsidiaries not resulting in change in the scope of consolidation	0	0	5
Net cash provided by (used in) financing activities	(182,265)	(182,940)	(1,674,774)
Effect of exchange rate changes on cash and cash equivalents	223	310	2,050
<b>Net change in cash and cash equivalents</b>	<b>966,564</b>	<b>1,410,372</b>	<b>8,881,419</b>
<b>Cash and cash equivalents at the beginning of the fiscal year</b>	<b>50,633,686</b>	<b>49,223,314</b>	<b>465,254,859</b>
<b>Cash and cash equivalents at the end of the fiscal year (Note 19)</b>	<b>¥ 51,600,251</b>	<b>¥ 50,633,686</b>	<b>\$ 474,136,278</b>

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended March 31, 2020 and 2019

## 1. Basis of Presenting Consolidated Financial Statements

JAPAN POST BANK Co., Ltd. (the "Bank") became a private bank under the Banking Act of Japan (the "Banking Act"), as a wholly owned subsidiary of JAPAN POST HOLDINGS Co., Ltd., following its privatization on October 1, 2007 in accordance with the Postal Service Privatization Act. In November 2015, the Bank filed for an initial public offering. As a result, the Bank is no longer a wholly owned subsidiary of JAPAN POST HOLDINGS Co., Ltd., while its significant majority of shares are still held by JAPAN POST HOLDINGS Co., Ltd.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in a) the Japanese Financial Instruments and Exchange Act and its related accounting regulations and b) the "Ordinance for the Enforcement of the Banking Act" (Ordinance of Ministry of Finance No. 10 of 1982), and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

In conformity with the Japanese Financial Instruments and Exchange Act and its related accounting regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank and its consolidated subsidiaries (the "Group") are incorporated and operate. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to US\$1.00, the approximate rate of exchange as of March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the consolidated financial statements have been rounded down to the nearest thousand dollar amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

## 2. Significant Accounting Policies for Preparing of Consolidated Financial Statements

### a. Scope of Consolidation

Consolidated subsidiaries: 4

Principal company

Japan Post Investment Corporation

SDP CENTER Co., Ltd.

One company has been newly consolidated from the fiscal year ended March 31, 2020, as the Bank acquired additional shares in SDP CENTER Co., Ltd., which was an affiliate accounted for by the equity-method until the previous fiscal year.

SDP CENTER Co., Ltd. changed its trade name to JAPAN POST BANK LOAN CENTER Co., Ltd. on April 1, 2020.

### b. Application of the Equity Method

Affiliates accounted for by the equity-method: 2

Principal companies

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

As stated in a. above, SDP CENTER Co., Ltd. was excluded from the scope of equity method application.

**c. Fiscal Years of Consolidated Subsidiaries**

(1) Balance sheet dates of the consolidated subsidiaries are as follows:

December 31: 2

March 31: 2

(2) Consolidated subsidiaries whose balance sheet date is December 31 are consolidated using the preliminary financial statements as of March 31.

**d. Accounting Policies**

**( 1 ) Trading Account Securities, Securities and Money Held in Trust**

(a) Trading account securities are stated at fair value.

(b) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost (straight-line method) determined by the moving-average method.

(c) Available-for-sale securities are, as a general principle, stated at the average market price of the final month of the fiscal year, etc. for stocks and at the market price at the consolidated balance sheet date for other securities (cost of securities sold is calculated using primarily the moving-average method). However, available-for-sale securities that are deemed to be extremely difficult to determine a fair value are stated at cost determined by the moving-average method. Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are stated in a separate component of net assets.

(d) Securities invested in money held in trust for the purpose of trading are stated at fair value (cost of securities sold is calculated using primarily the moving-average method).

Securities invested in money held in trust classified as available-for-sale are stated in the same way as in (1)(c) above.

**( 2 ) Tangible Fixed Assets**—Depreciation of tangible fixed assets is computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

**( 3 ) Intangible Fixed Assets**—The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed and obtained for internal use is amortized over the estimated useful life (mainly 5 years).

**( 4 ) Reserve for Possible Loan Losses**—The reserve for possible loan losses is provided for in accordance with the prescribed standards for write-offs and reserves as described below:

Loans to normal borrowers and borrowers requiring caution, as provided by “Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions” (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4, March 17, 2020), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, a reserve is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, a reserve is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.

- ( 5 ) **Reserve for Bonuses**—The reserve for bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.
- ( 6 ) **Reserve for Employee Stock Ownership Plan Trust**—The reserve for employee stock ownership plan trust, which is provided for the payment of the Bank's shares to employees, is recorded in the amount expected to be incurred at the end of the fiscal year based on the estimated amount of stock benefit obligations at the end of the fiscal year.
- ( 7 ) **Reserve for Management Board Benefit Trust**—The reserve for management board benefit trust, which is provided for the payment of the Bank's shares, etc. to Executive Officers, is recorded in the amount expected to be incurred at the end of the fiscal year based on the estimated amount of stock benefit obligations at the end of the fiscal year.
- ( 8 ) **Reserve for Reimbursement of Deposits**—The reserve for reimbursement of deposits, which is provided for depositor's requests for refunds in relation to deposits that are no longer recorded as liabilities, is recorded in the amount of expected losses to be incurred, which is estimated based on future requests for refunds.
- ( 9 ) **Employees' Retirement Benefits**—The method of attributing projected benefit obligation to periods ending on or before March 31, 2020 is by the benefit formula basis.

Prior service cost is amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period.

Actuarial gains and losses are amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period, from the following fiscal year after they are incurred.

- (10) **Foreign Currency Transactions**—Foreign currency denominated assets and liabilities of the Group are translated into Japanese yen principally at the exchange rates in effect at the consolidated balance sheet date.
- (11) **Derivatives and Hedging Activities**—Derivatives are stated at fair value.

Hedging against interest rate risks:

The Group uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets. The Group applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets.

As for portfolio hedges on groups of large-volume, small-value monetary debts, the Group applies the deferred hedge accounting method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Report No. 24 of the Industry Audit Committee of JICPA, February 13, 2002).

To evaluate the effectiveness of portfolio hedges on groups of large-volume, small-value monetary debts, the Group designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses how the hedging instruments offset changes in the fair value of hedged items by grouping them into their maturities.

The Group considers the individual hedges to be highly effective because the Group designates the hedges in such a way that the major conditions of the hedged items are almost the same as the hedging instruments, which allows the interest rate swaps to meet conditions stipulated for special accounting treatment for interest rate swaps.

Hedging against foreign exchange fluctuation risks:

The Group applies the deferred hedge accounting method and the fair value hedge accounting method to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains and losses on available-for-sale securities exposed to the risks of foreign exchange fluctuations.

In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the Group applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.

In case of the individual hedges, the Group considers its hedges to be highly effective because the Group designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

**(12) Scope of Cash and Cash Equivalents on the Consolidated Statements of Cash Flows**—For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from banks on the consolidated balance sheets, excluding negotiable certificates of deposit in other banks.

**(13) Consumption Taxes**—The Bank and its domestic consolidated subsidiaries are subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.

**(14) Accounting pronouncements issued but not yet adopted**

**(a) "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), "Accounting Standard for Financial Instruments" (ASBJ statement No. 10, July 4, 2019), "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)**

1) Overview

"Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter "Fair Value Measurement Accounting Standards") were developed to encourage the preparation for more readily comparable financial information on an international financial standard basis, and subsequently guidance for fair value measurements among others has been established. The Fair Value Measurement Accounting Standards are applied to the calculation of the fair value for the following items.

\*Financial instruments subjected to the "Accounting Standard for Financial Instruments"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised stipulating the required disclosure of a breakdown of financial instruments according to their fair value levels among other requirements.

2) Scheduled date of application

The implementation of these standards is scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

3) Impact from the application of these accounting standards

Evaluation of the impact was ongoing at the time when these consolidated financial statements were prepared.

**(b) "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)**

1) Overview

This standard requires the presentation of an overview of the accounting policies and procedures that management applies when the accounting standard or interpretation is not clear.

2) Scheduled date of application

The implementation of the standard is scheduled to be applied from the end of the fiscal year ending March 31, 2021.

**(c) "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)**

1) Overview

This standard requires the disclosures that help the readers of the consolidated financial statements understand the details of the accounting estimates used for the amounts reported in the consolidated financial statements for the current fiscal year that may result in a risk of significant impact to the items in the consolidated financial statements for the following fiscal year.

2) Scheduled date of application

The implementation of the standard is scheduled to be applied from the end of the fiscal year ending March 31, 2021.

**(15) Additional Information**

**(a) Transactions for Delivery of the Bank's Shares, etc. to its Executive Officers through Trusts—**

The Bank introduced a performance-linked stock compensation system using a trust for the Bank's Executive Officers.

Regarding the accounting treatment of relevant trust agreements, the Bank adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force (PITF) No. 30, March 26, 2015).

1) Overview of transactions

The Bank grants points to its Executive Officers in accordance with the Stock Benefit Regulations, and delivers the Bank's shares to Executive Officers who have satisfied the beneficiary requirements as set forth in the Stock Benefit Regulations (hereinafter the "beneficiary") in accordance with the number of points granted to the beneficiary. A certain portion of the Bank's shares scheduled to be delivered will be converted into cash and the money will be paid by the trust (the management board benefit trust).

As for shares which the Bank intends to deliver to its Executive Officers, a trust bank acquires the Bank's shares from the stock market, including those intended for future deliveries, using money entrusted by the Bank in advance to establish the trust, and such acquired shares are separately managed as trust assets.

2) Residual shares remaining in the trust

The Bank recorded the shares remaining in the trust as treasury stock under net assets, at the book value in the trust (excluding incidental expenses). The book value and the number of said shares of treasury stock, as of March 31, 2020 and 2019, were ¥358 million (\$3,297 thousand) and 282 thousand shares, and ¥379 million and 298 thousand shares, respectively.

**(b) Transactions for Delivery of the Bank's Shares to its Management Employees in the Investment Division through Trusts—**The Bank introduced an employee stock ownership plan using a trust for the Bank's management employees in the Investment Division.

Regarding the accounting treatment of relevant trust agreements, the Bank adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force (PITF) No. 30, March 26, 2015).

1) Overview of transactions

The Bank grants points to its management employees in the Investment Division in accordance with the Stock Benefit Regulations, and delivers the Bank's shares to those who have satisfied the beneficiary requirements as set forth in the Stock Benefit Regulations (hereinafter the "beneficiary") in accordance with the number of points granted to the beneficiary through the trust (the stock benefit trust).

As for shares which the Bank intends to deliver to its management employees in the Investment Division, a trust bank acquires the Bank's shares from the stock market, including those intended for future deliveries, using money entrusted by the Bank in advance to establish the trust, and such acquired shares are separately managed as trust assets.

2) Residual shares remaining in the trust

The Bank recorded the shares remaining in the trust as treasury stock under net assets, at the book value in the trust (excluding incidental expenses). The book value and the number of said shares of treasury stock, as of March 31, 2020 and 2019, were ¥523 million (\$4,807 thousand) and 400 thousand shares, and ¥547 million and 384 thousand shares, respectively.

### 3. Foreign Exchanges

Foreign exchanges as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Assets:</b>			
Due from foreign banks	¥147,469	¥80,396	\$1,355,046
<b>Total</b>	<b>¥147,469</b>	<b>¥80,396</b>	<b>\$1,355,046</b>
<b>Liabilities:</b>			
Foreign bills payable	¥ 511	¥ 628	\$ 4,697
<b>Total</b>	<b>¥ 511</b>	<b>¥ 628</b>	<b>\$ 4,697</b>

### 4. Other Assets

Other assets as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Domestic exchange settlement accounts—debit	¥ 24,721	¥ 11,874	\$ 227,154
Prepaid expenses	2,334	1,549	21,453
Accrued income	207,314	226,133	1,904,940
Initial margins for future transactions	147,125	146,257	1,351,884
Variation margins for future transactions	—	742	—
Derivatives other than trading	331,589	295,169	3,046,857
Cash collateral paid for financial instruments	292,377	28,966	2,686,554
Advance payments of funds necessary for delivery of deposits in bank agency services	810,000	810,000	7,442,800
Other	1,000,718	931,712	9,195,247
<b>Total</b>	<b>¥2,816,182</b>	<b>¥2,452,406</b>	<b>\$25,876,893</b>

### 5. Accumulated Depreciation on Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accumulated depreciation	¥179,600	¥165,660	\$1,650,287

### 6. Assets Pledged as Collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Assets pledged as collateral:</b>			
Securities	¥17,492,933	¥14,636,709	\$160,736,316
<b>Liabilities corresponding to assets pledged as collateral:</b>			
Deposits	939,049	1,265,494	8,628,593
Payables under repurchase agreements	14,841,880	11,569,371	136,376,737
Payables under securities lending transactions	2,168,924	2,473,457	19,929,471
Borrowed money	10,100	3,900	92,805

In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions, etc. were substituted by securities of ¥1,494,137 million (\$13,729,100 thousand) and ¥1,298,218 million as of March 31, 2020 and 2019, respectively.

“Other assets” included initial margins for future transactions of ¥147,125 million (\$1,351,884 thousand) and ¥146,257 million, guarantee deposits of ¥2,046 million (\$18,808 thousand) and ¥2,852 million, cash collateral paid for financial instruments of ¥292,377 million (\$2,686,554 thousand) and ¥28,966 million, margins with central counterparty of ¥692,575 million (\$6,363,831 thousand) and ¥647,946 million, and other margins, etc. of ¥13,028 million (\$119,712 thousand) and ¥2,003 million as of March 31, 2020 and 2019, respectively.

## 7. Deposits

Deposits as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Transfer deposits	¥ 7,709,577	¥ 16,141,562	\$ 70,840,553
Ordinary deposits	78,425,052	62,157,684	720,619,794
Savings deposits	508,971	405,656	4,676,759
Time deposits	5,225,651	7,096,334	48,016,643
Special deposits*	921,218	1,252,455	8,464,751
TEIGAKU deposits**	90,073,256	93,830,855	827,650,983
Other deposits	138,256	112,566	1,270,391
Total	¥183,001,984	¥180,997,116	\$1,681,539,878

\*“Special deposits” represent deposits received from the Organization for Postal Savings, Postal Life Insurance and Post Office Network.

\*\*“TEIGAKU deposits” are a kind of 10-year-maturity time deposits unique to the Bank. The key feature is that depositors have the option to withdraw money anytime six months after the initial deposit. The interest rates on such deposits rise every six months in a staircase pattern, with duration of up to three years. After three years, the interest is compounded using fixed interest rates until the maturity of 10 years.

Note: “Transfer deposits” correspond to “Current deposits” and “TEIGAKU deposits” to “Other deposits” in liabilities in accordance with the “Ordinance for the Enforcement of the Banking Act.”

## 8. Borrowed Money

Borrowed money as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen			
	2020			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate*	Maturity for repayment
Borrowed money:	¥3,900	¥10,100	—%	
Borrowings	¥3,900	¥10,100	—%	June 2020—December 2023

	Millions of yen			
	2019			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate*	Maturity for repayment
Borrowed money:	¥2,400	¥3,900	—%	
Borrowings	¥2,400	¥3,900	—%	June 2019—March 2020

	Thousands of U.S. dollars			
	2020			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate*	Maturity for repayment
Borrowed money:	\$35,835	\$92,805	—%	
Borrowings	\$35,835	\$92,805	—%	June 2020—December 2023

\*Average interest rate is calculated (weighted average) by interest rate and the amount at the end of the fiscal years ended March 31.

## 9. Other Liabilities

Other liabilities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Domestic exchange settlement accounts—credit	¥ 36,254	¥ 22,862	\$ 333,133
Income taxes payable	22,269	7,929	204,626
Accrued expenses	435,571	495,899	4,002,312
Unearned income	68	67	627
Variation margins for future transactions	403	—	3,707
Derivatives other than trading	873,531	504,384	8,026,573
Cash collateral received for financial instruments	21,237	22,496	195,147
Asset retirement obligations	172	682	1,588
Accounts payable	173,139	268,240	1,590,919
Other	34,416	32,750	316,244
Total	¥1,597,067	¥1,355,311	\$14,674,880

## 10. Contingent Liabilities

The Group has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
One year or less	¥406	¥ 628	\$3,735
Over one year	149	527	1,377
Total	¥556	¥1,155	\$5,113

## 11. Capital Stock

Capital stock consists of common stock. Common stock as of March 31, 2020 and 2019 was as follows:

	Number of shares			
	2020		2019	
	Authorized	Issued	Authorized	Issued
Common stock	18,000,000,000	4,500,000,000	18,000,000,000	4,500,000,000

## 12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gains on foreign exchanges	¥202,139	¥219,447	\$1,857,388
Gains on sales of bonds	10,748	9,477	98,765
Total	¥212,888	¥228,925	\$1,956,154

## 13. Other Income

Other income for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Reversal of reserve for possible loan losses	¥ —	¥ 50	\$ —
Recoveries of written-off claims	23	20	217
Gains on sales of stocks and other securities	23,131	3,251	212,545
Gains on money held in trust	75,239	79,756	691,348
Income from deposits	1,288	20,270	11,836
Gains from investments in affiliates	239	227	2,199
Gains on negative goodwill	48	—	441
Other	8,336	16,339	76,602
Total	¥108,306	¥119,917	\$995,192

## 14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Losses on sales of bonds	¥2,651	¥21,719	\$24,363
Expenses on derivatives other than for trading or hedging	1,739	3,060	15,981
Total	¥4,390	¥24,779	\$40,344

## 15. General and Administrative Expenses

General and administrative expenses for the fiscal years ended March 31, 2020 and 2019 included the following expenses:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	¥369,716	¥600,661	\$3,397,193
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network	237,820	—	2,185,246
Total	¥607,536	¥600,661	\$5,582,439

## 16. Other Expenses

Other expenses for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Provision for reserve for possible loan losses	¥ 116	¥ —	\$ 1,074
Losses on sales of stocks and other securities	11,295	6,171	103,790
Losses on devaluation of stocks and other securities	20	8,063	187
Losses on money held in trust	2,401	2,039	22,062
Provision for reserve for reimbursement of deposits	550	10,771	5,054
Losses on sales and disposals of fixed assets	532	3,556	4,896
Losses on impairment of fixed assets	0	550	1
Losses on step acquisitions	21	—	198
Other	3,752	4,018	34,483
<b>Total</b>	<b>¥18,691</b>	<b>¥35,171</b>	<b>\$171,748</b>

## 17. Other Comprehensive Income (Loss)

Other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥(2,801,375)	¥ 116,718	\$(25,740,843)
Reclassification adjustments	(345,596)	(369,633)	(3,175,560)
Before tax effect adjustments	(3,146,972)	(252,914)	(28,916,404)
Tax effect	963,721	77,429	8,855,295
Net unrealized gains (losses) on available-for-sale securities	(2,183,250)	(175,485)	(20,061,108)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(555,492)	(283,051)	(5,104,222)
Reclassification adjustments	173,913	191,796	1,598,031
Adjustments of assets' acquisition costs	(1,248)	(3,120)	(11,467)
Before tax effect adjustments	(382,826)	(94,375)	(3,517,659)
Tax effect	117,239	28,902	1,077,276
Net deferred gains (losses) on hedges	(265,586)	(65,472)	(2,440,383)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	(13)	80	(123)
Reclassification adjustments	(1,943)	(2,167)	(17,857)
Before tax effect adjustments	(1,956)	(2,086)	(17,980)
Tax effect	599	640	5,506
Adjustments for retirement benefits	(1,357)	(1,445)	(12,473)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the fiscal year	0	0	0
Reclassification adjustments	(0)	(0)	(0)
Before tax effect adjustments	(0)	0	(0)
Tax effect	—	—	—
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	(0)	0	(0)
<b>Total other comprehensive income (loss)</b>	<b>¥(2,450,194)</b>	<b>¥(242,403)</b>	<b>\$(22,513,965)</b>

## 18. Shareholders' Equity

The Corporate Law of Japan requires that all shares of capital stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as capital stock and the remaining net proceeds as legal capital surplus, which is included in capital surplus. The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be reserved as legal retained earnings or legal capital surplus until the total amount of them equals 100% of capital stock. Legal retained earnings and legal capital surplus that could be used to eliminate or reduce a deficit, or could be capitalized, generally require a resolution of the shareholders' meeting. All legal retained earnings and legal capital surplus are potentially available for dividends. The Corporate Law of Japan permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within shareholders' accounts.

The Corporate Law of Japan allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon approval of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends.

The maximum amount that the Bank is able to distribute as dividends subject to the approval of the shareholders is calculated based on the non-consolidated financial statements of the Bank in accordance with the Corporate Law of Japan.

Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2020 were as follows:

	Thousand shares				Notes
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	
Shares issued					
Common stock	4,500,000	—	—	4,500,000	
Treasury stock					
Common stock	751,208	308	309	751,207	*, **, ***

\* The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 683 thousand shares and 682 thousand shares of treasury stock held by the stock benefit trust.

\*\* An increase of 308 thousand shares of treasury stock is due to the purchases of 308 thousand shares of treasury stock by the stock benefit trust and the purchase of 0 thousand shares of shares less than one unit.

\*\*\* A decrease of 309 thousand shares of treasury stock is due to the 309 thousand shares of benefits paid by the stock benefit trust.

Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2019 were as follows:

	Thousand shares				Notes
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	
Shares issued					
Common stock	4,500,000	—	—	4,500,000	
Treasury stock					
Common stock	751,069	375	236	751,208	*, **, ***

\* The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 544 thousand shares and 683 thousand shares of treasury stock held by the stock benefit trust.

\*\* An increase of 375 thousand shares of treasury stock is due to the purchases of 375 thousand shares of treasury stock by the stock benefit trust.

\*\*\* A decrease of 236 thousand shares of treasury stock is due to the 236 thousand shares of benefits paid by the stock benefit trust.

## Dividends distributed during the fiscal year ended March 31, 2020

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date
May 15, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	\$861,314	¥25.00	\$0.22	March 31, 2019	June 19, 2019
November 14, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	\$861,314	¥25.00	\$0.22	September 30, 2019	December 6, 2019

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2019 and November 14, 2019 included dividends of ¥17 million (\$156 thousand) and ¥17 million (\$156 thousand), respectively, for the Bank's shares held by the stock benefit trust.

## Dividends distributed during the fiscal year ended March 31, 2019

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 15, 2018 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	March 31, 2018	June 20, 2018
November 14, 2018 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	September 30, 2018	December 6, 2018

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2018 and November 14, 2018 included dividends of ¥13 million and ¥17 million, respectively, for the Bank's shares held by the stock benefit trust.

## Dividends with the record date within the fiscal years ended March 31, 2020 and 2019 and with the effective date coming after the end of the fiscal years

Resolution	Type	2020					Record date	Effective date
		Cash dividends (Millions of yen)	Cash dividends (Thousands of U.S. dollars)	Resource of dividends	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)		
May 15, 2020 at the meeting of the Board of Directors	Common stock	¥93,736	\$861,314	Retained earnings	¥25.00	\$0.22	March 31, 2020	June 17, 2020

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2020 included dividends of ¥17 million (\$156 thousand) for the Bank's shares held by the stock benefit trust.

Resolution	Type	2019				
		Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
May 15, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	Retained earnings	¥25.00	March 31, 2019	June 19, 2019

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2019 included dividends of ¥17 million for the Bank's shares held by the stock benefit trust.

## 19. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the statements of cash flows and cash and due from banks in the consolidated balance sheets as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and due from banks	¥51,665,251	¥50,698,686	\$474,733,539
Due from banks, –negotiable certificates of deposit in other banks	(65,000)	(65,000)	(597,261)
Cash and cash equivalents	¥51,600,251	¥50,633,686	\$474,136,278

## 20. Leases

Operating lease transactions:

Future lease payments on non-cancelable operating leases as of March 31, 2020 and 2019 were as follows:

(Lessees)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥340	¥ 344	\$3,131
Due over one year	386	680	3,553
Total	¥727	¥1,024	\$6,684

(Lessors)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥101	¥ 99	\$ 931
Due over one year	101	199	931
Total	¥202	¥298	\$1,863

## 21. Securities

As of March 31, 2020 and 2019, Japanese government bonds, etc. in "Securities" include ¥1,939,840 million (\$17,824,502 thousand) and ¥1,076,930 million of unsecured and secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions, etc.).

Of the securities that the Group had the right to sell or (re-)pledge without restrictions among those purchased under resale agreements, etc., the Group held ¥64,499 million (\$592,659 thousand) of securities (re-)pledged as of March 31, 2020 and held ¥5,394,231 million (\$49,565,666 thousand) and ¥5,328,398 million of those neither sold nor pledged as of March 31, 2020 and 2019, respectively.

## 22. Financial Instruments

### a. Notes related to the conditions of financial instruments

#### (1) Policy for handling financial instruments

The Group's operations comprise deposit-taking up to designated limits, syndicated loans and other lending, securities investment, domestic and foreign exchange, retail sales of Japanese government bonds, investment trusts, and insurance products, intermediary services including mortgages, and credit card operations.

The Group raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds and foreign bonds as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with market movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Group including affecting the stability of its earnings. The Group therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

Since its incorporation in October 2007, the Group has diversified its earnings sources through investment diversification and consequently the outstanding amount of financial assets with credit risk has steadily grown. However, these investments are made with careful regard to the securities in which the Group invests and the amount invested so that the occurrence of a credit risk event or other factors will not result in excessive losses.

## (2) Details of financial instruments and associated risks

The financial assets held by the Group are securities including Japanese bonds and foreign bonds. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amounts of these investments are less than those of bonds and other securities.

From the viewpoint of the Group's ALM, the Group utilizes interest rate swaps as hedging instruments for interest rate-related transactions to avoid the risks of changes in future economic values and interest rates (cash flows) of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related transactions, the Group utilizes currency swaps and others as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency-denominated securities held by the Group and related yen translation amounts of redemption of principal and interest.

Derivatives which meet certain requirements are accounted for by the hedge accounting method to control the effect on financial accounting within a fixed range when utilizing derivatives for hedging purposes.

The hedging instruments, the hedged items, the hedging policy, and the way to evaluate the effectiveness of hedges are included in the section "d. Accounting policies, (11) Derivatives and Hedging Activities" of Note 2. Significant accounting policies for preparing of consolidated financial statements.

## (3) Risk management structure for financial instruments

### a) Basic policy

The Executive Committee has established special advisory committees, the Risk Management Committee and the ALM Committee, to handle risk management responsibilities. These advisory committees submit risk management reports based on the nature of each risk and discuss risk management policies and measures.

### b) Credit risk

The Group manages credit risk using Value at Risk (VaR: a statistical method that identifies the maximum loss possible based on designated probabilities in the financial assets and liabilities held) based on internal guidelines to quantitatively measure the amount of credit risk. The Group sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of credit risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

In order to control credit concentration, the Group has set upper limits of exposure for individual companies, corporate groups, countries and regions to monitor and manage such risk.

The Risk Management Department oversees credit risk management activities including credit risk measurement, management of credit concentration risk and the Group's internal credit rating system. The Credit Department assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the credit risk management structure, and matters related to the implementation of credit risk management.

### c) Market risk

As per the Group's ALM policy, the Group makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, share price and other fluctuations. However, based on internal guidelines regarding market risk management, the Group measures the amount of market risk using the VaR statistical method. The Group sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

The main financial instruments held by the Group or transactions undertaken by the Group that are affected by changes in variable components of major market risk (interest rates, currency exchange rates, stock prices) are call loans, monetary claims bought, money held in trust, securities, loans, deposits and derivative transactions.

The Group measures and manages market risk using the VaR method. For its market risk measurement model, the Group uses a historical simulation method (holding period of 240 business days (one year); confidence interval of 99%; and observation period of 1,200 business days (five years)). For liability measurement, the Group uses its own internal model.

As of March 31, 2020 and 2019, the Group calculates the amounts of its market risk volume (estimated potential losses from such risk) at ¥2,925,366 million (\$26,880,143 thousand) and ¥3,432,080 million, respectively. VaR provides the major market risk exposure which is statistically calculated under certain probability based on historical market fluctuations. Thus, it may not capture fully the risk stemming from extraordinary changes in the market environment that are normally considered improbable. To complement such risks, the Group conducts stress testing using a variety of scenarios.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the market risk management structure, and matters related to the implementation of market risk management.

In addition, the Group has a distinctive asset and liability structure, with Japanese government bonds, etc. accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Group's profit structure, the Group closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

Policy with regard to its ALM is discussed and determined at meetings of the Executive Committee, and the status of its implementation is reported to the ALM Committee and the Executive Committee.

The Group manages market risk that arises from derivative transactions by separating the responsibilities of executing transactions, evaluating the effectiveness of hedges and operational management, and by establishing an internal control structure, based on internal guidelines related to derivatives.

#### d) Funding liquidity risk

The Group's funding liquidity risk management consists primarily of closely monitoring funding conditions and taking timely and appropriate actions. It then maintains appropriate liquidity reserves for unexpected fund outflows.

Through these steps, the Group sets, monitors, and analyzes its funding liquidity indicators to ensure stable liquidity management.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the funding liquidity risk management structure and matters related to the implementation of funding liquidity risk management.

#### (4) Supplementary explanation of items related to the fair value of financial instruments

The Group determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

## b. Notes related to the fair values of financial instruments

The amounts on the consolidated balance sheets, the fair values, and the differences between the two as of March 31, 2020 and 2019 were as follows:

	Millions of yen		
	2020		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 51,665,251	¥ 51,665,251	¥ —
(2) Call loans	1,040,000	1,040,000	—
(3) Receivables under resale agreements	9,731,897	9,731,897	—
(4) Receivables under securities borrowing transactions	112,491	112,491	—
(5) Monetary claims bought	315,812	315,812	—
(6) Trading account securities:			
Securities classified as trading purposes	31	31	—
(7) Money held in trust	4,181,926	4,179,289	(2,637)
(8) Securities:			
Held-to-maturity securities	24,170,708	24,661,546	490,838
Available-for-sale securities	109,282,514	109,282,514	—
(9) Loans:	4,961,733		
Reserve for possible loan losses*	(104)		
	4,961,628	4,969,048	7,419
<b>Total assets</b>	<b>¥205,462,263</b>	<b>¥205,957,884</b>	<b>¥495,620</b>
(1) Deposits	¥183,001,984	¥183,046,848	¥ 44,863
(2) Payables under repurchase agreements	14,855,624	14,855,624	—
(3) Payables under securities lending transactions	2,219,384	2,219,384	—
(4) Commercial paper	—	—	—
(5) Borrowed money	10,100	10,100	—
<b>Total liabilities</b>	<b>¥200,087,094</b>	<b>¥200,131,957</b>	<b>¥ 44,863</b>
Derivative transactions**:			
For which hedge accounting is not applied	¥ 158	¥ 158	¥ —
For which hedge accounting is applied	(542,100)	(542,100)	—
<b>Total derivative transactions</b>	<b>¥ (541,942)</b>	<b>¥ (541,942)</b>	<b>¥ —</b>

	Millions of yen		
	2019		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 50,698,686	¥ 50,698,686	¥ —
(2) Call loans	400,000	400,000	—
(3) Receivables under resale agreements	8,368,139	8,368,139	—
(4) Receivables under securities borrowing transactions	—	—	—
(5) Monetary claims bought	295,679	295,679	—
(6) Trading account securities:			
Securities classified as trading purposes	2	2	—
(7) Money held in trust	3,725,121	3,722,937	(2,184)
(8) Securities:			
Held-to-maturity securities	27,242,577	28,030,124	787,546
Available-for-sale securities	108,660,846	108,660,846	—
(9) Loans:	5,297,424		
Reserve for possible loan losses*	(107)		
	5,297,316	5,334,088	36,772
<b>Total assets</b>	<b>¥204,688,371</b>	<b>¥205,510,505</b>	<b>¥822,133</b>
(1) Deposits	¥180,997,116	¥181,082,281	¥ 85,165
(2) Payables under repurchase agreements	11,569,371	11,569,371	—
(3) Payables under securities lending transactions	2,473,457	2,473,457	—
(4) Commercial paper	28,029	28,029	—
(5) Borrowed money	3,900	3,900	—
<b>Total liabilities</b>	<b>¥195,071,875</b>	<b>¥195,157,040</b>	<b>¥ 85,165</b>
Derivative transactions**:			
For which hedge accounting is not applied	¥ (508)	¥ (508)	¥ —
For which hedge accounting is applied	(208,706)	(208,706)	—
<b>Total derivative transactions</b>	<b>¥ (209,214)</b>	<b>¥ (209,214)</b>	<b>¥ —</b>

	Thousands of U.S. dollars		
	2020		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	\$ 474,733,539	\$ 474,733,539	\$ —
(2) Call loans	9,556,188	9,556,188	—
(3) Receivables under resale agreements	89,422,934	89,422,934	—
(4) Receivables under securities borrowing transactions	1,033,647	1,033,647	—
(5) Monetary claims bought	2,901,892	2,901,892	—
(6) Trading account securities:			
Securities classified as trading purposes	291	291	—
(7) Money held in trust	38,426,227	38,401,995	(24,232)
(8) Securities:			
Held-to-maturity securities	222,096,005	226,606,142	4,510,136
Available-for-sale securities	1,004,157,996	1,004,157,996	—
(9) Loans:	45,591,599		
Reserve for possible loan losses*	(962)		
	45,590,636	45,658,809	68,172
<b>Total assets</b>	<b>\$1,887,919,360</b>	<b>\$1,892,473,437</b>	<b>\$4,554,076</b>
(1) Deposits	\$1,681,539,878	\$1,681,952,110	\$ 412,232
(2) Payables under repurchase agreements	136,503,031	136,503,031	—
(3) Payables under securities lending transactions	20,393,132	20,393,132	—
(4) Commercial paper	—	—	—
(5) Borrowed money	92,805	92,805	—
<b>Total liabilities</b>	<b>\$1,838,528,847</b>	<b>\$1,838,941,079</b>	<b>\$ 412,232</b>
Derivative transactions**:			
For which hedge accounting is not applied	\$ 1,451	\$ 1,451	\$ —
For which hedge accounting is applied	(4,981,167)	(4,981,167)	—
<b>Total derivative transactions</b>	<b>\$ (4,979,715)</b>	<b>\$ (4,979,715)</b>	<b>\$ —</b>

\*Reserve for possible loan losses is the general reserve for possible loan losses corresponding to loans.

\*\*Figures are total derivative transactions recorded as other assets or other liabilities.

The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.

Hedges covered by designation of foreign exchange forward contracts, etc., are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

## Valuation methodology for financial instruments

### Assets

#### (1) Cash and due from banks

The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Group uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

#### (2) Call loans, (3) Receivables under resale agreements, (4) Receivables under securities borrowing transactions

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

#### (5) Monetary claims bought

The Group uses the price provided by a broker, etc., as the fair value.

#### (6) Trading account securities

The Group uses the purchase price provided by the Bank of Japan as the fair value.

#### (7) Money held in trust

For the securities representing trust assets in money held in trust, the Group uses the price at the exchange market for stocks and the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value. For derivative transactions, the Group uses prices, etc. quoted by information vendors as the fair value. For loans, the Group calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.

Notes pertaining to money held in trust by holding purpose are included in the below "g. Money held in trust" of Note 23. Fair Value Information.

#### (8) Securities

For stocks, the Group uses the price at the exchange market, while for bonds, the Group uses the price at the exchange market, the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by a broker, etc., as the fair value. The Group uses the funds' unit price for investment trust as the fair value.

Notes pertaining to securities by holding purpose are included in the below Note 23. Fair Value Information.

#### (9) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value. For fixed-rate loans, the Group calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.

For loans that are limited to within a designated percentage of the amount of pledged assets, such as loans secured by deposit, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Group uses the book value as the fair value.

## Liabilities

### (1) Deposits

For demand deposits including transfer deposits and ordinary deposits, the Group uses the amount that might be paid on demand at the consolidated balance sheet date (the book value) as the fair value.

For fixed-term deposits including time deposits and TEIGAKU deposits, the Group classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Group uses the interest rates on newly accepted fixed-term deposits as the discount rate.

### (2) Payables under repurchase agreements, (3) Payables under securities lending transactions,

### (4) Commercial paper

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

### (5) Borrowed money

The fair value of borrowed money is stated at its present value, which is calculated by discounting the projected future cash flow, using the refinancing rate applicable to a similar loan. The fair value of borrowed money on a short-term contract (due within one year) is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

## Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest rate swaps), currency-related transactions (foreign exchange forward contracts, currency swaps), stock-related transactions (stock index futures), bond-related transactions (bond futures), and credit derivative transactions (credit default swaps), etc., and the Group calculates the fair value using the price at the exchange market and the discounted present value, etc.

The amount on the consolidated balance sheets of financial instruments for which the Group deems it extremely difficult to determine a fair value as of March 31, 2020 and 2019 was as follows. The fair value information for these financial instruments is not included in “(7) Money held in trust” and “(8) Securities” in total assets.

Type	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Money held in trust*	¥ 367,810	¥ 265,658	\$ 3,379,675
Securities:			
Unlisted stocks**	10,654	5,095	97,904
Investment trusts***	1,692,354	1,199,338	15,550,440
Investments in partnerships****	48,333	30,732	444,116
<b>Total</b>	<b>¥2,119,152</b>	<b>¥1,500,824</b>	<b>\$19,472,136</b>

\* Money held in trust, within which the trust asset components were deemed to be extremely difficult to determine a fair value such as private REIT, is not included in the scope of fair value disclosures.

\*\* Unlisted stocks are not included in the scope of fair value disclosures because they did not have a market price and they were deemed to be extremely difficult to determine a fair value.

\*\*\* Investment trusts, within which the trust asset components were deemed to be extremely difficult to determine a fair value such as unlisted stocks, are not included in the scope of fair value disclosures.

\*\*\*\* Investments in partnerships are not included in the scope of fair value disclosures because they consisted of partnership asset components such as unlisted stocks which were deemed to be extremely difficult to determine a fair value.

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen					
	2020					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	¥51,331,877	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,040,000	—	—	—	—	—
Receivables under resale agreements	9,731,897	—	—	—	—	—
Receivables under securities borrowing transactions	112,491	—	—	—	—	—
Monetary claims bought	12,044	20,356	23,836	76,319	34,107	147,088
Securities:	14,590,455	30,762,339	15,555,202	6,699,997	10,015,666	15,367,944
Held-to-maturity securities:	2,753,916	15,129,805	3,149,289	252,456	1,378,045	1,500,061
Japanese government bonds	2,726,900	14,981,100	2,053,300	—	—	1,284,000
Japanese local government bonds	7,116	68,635	383,573	97,320	583,371	—
Japanese corporate bonds	19,900	80,070	712,415	155,136	794,673	216,061
Other securities	—	—	—	—	—	—
Available-for-sale securities (with maturity date):	11,836,538	15,632,534	12,405,913	6,447,540	8,637,620	13,867,883
Japanese government bonds	4,874,417	7,346,387	4,613,904	3,327,341	4,390,657	6,792,700
Japanese local government bonds	1,182,344	1,410,522	1,142,129	594,633	452,122	—
Japanese corporate bonds	2,079,210	1,956,271	1,461,105	820,646	524,300	1,035,111
Other securities	3,700,566	4,919,353	5,188,774	1,704,919	3,270,541	6,040,072
Loans	3,155,471	616,403	387,376	237,915	288,340	270,443
Total	¥79,974,238	¥31,399,099	¥15,966,415	¥7,014,232	¥10,338,114	¥15,785,477

	Millions of yen					
	2019					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	¥50,459,012	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	400,000	—	—	—	—	—
Receivables under resale agreements	8,368,139	—	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—	—	—
Monetary claims bought	240	35,092	34,295	44,796	41,228	138,012
Securities:	14,328,450	26,602,309	28,274,213	5,447,625	10,622,153	10,636,397
Held-to-maturity securities:	4,753,803	9,095,209	11,369,869	125,090	833,885	1,069,300
Japanese government bonds	4,214,600	9,031,200	10,730,100	—	—	1,049,700
Japanese local government bonds	5,172	28,609	112,472	106,804	275,831	—
Japanese corporate bonds	501,598	35,400	527,297	18,286	558,053	19,600
Other securities	32,433	—	—	—	—	—
Available-for-sale securities (with maturity date):	9,574,646	17,507,099	16,904,344	5,322,535	9,788,268	9,567,097
Japanese government bonds	3,854,078	7,088,243	9,404,058	1,336,151	5,625,388	4,520,300
Japanese local government bonds	1,036,666	1,882,458	1,378,127	701,785	731,643	23,216
Japanese corporate bonds	1,442,857	2,266,279	1,590,356	816,748	773,750	1,145,361
Other securities	3,241,043	6,270,117	4,531,802	2,467,851	2,657,486	3,878,219
Loans	3,653,625	536,619	412,124	266,600	217,165	206,718
Total	¥77,209,467	¥27,174,021	¥28,720,634	¥5,759,022	¥10,880,547	¥10,981,127

	Thousands of U.S. dollars					
	2020					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	\$471,670,291	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans	9,556,188	—	—	—	—	—
Receivables under resale agreements	89,422,934	—	—	—	—	—
Receivables under securities borrowing transactions	1,033,647	—	—	—	—	—
Monetary claims bought	110,672	187,050	219,026	701,274	313,403	1,351,546
Securities:	134,066,482	282,664,148	142,931,201	61,563,880	92,030,380	141,210,557
Held-to-maturity securities:	25,304,757	139,022,376	28,937,693	2,319,736	12,662,366	13,783,526
Japanese government bonds	25,056,510	137,655,977	18,867,040	—	—	11,798,217
Japanese local government bonds	65,393	630,664	3,524,523	894,246	5,360,394	—
Japanese corporate bonds	182,853	735,734	6,546,129	1,425,489	7,301,971	1,985,308
Other securities	—	—	—	—	—	—
Available-for-sale securities (with maturity date):	108,761,725	143,641,771	113,993,507	59,244,144	79,368,014	127,427,031
Japanese government bonds	44,789,278	67,503,329	42,395,524	30,573,754	40,344,179	62,415,694
Japanese local government bonds	10,864,141	12,960,782	10,494,618	5,463,875	4,154,392	—
Japanese corporate bonds	19,105,123	17,975,481	13,425,571	7,540,622	4,817,605	9,511,266
Other securities	34,003,181	45,202,178	47,677,792	15,665,892	30,051,836	55,500,070
Loans	28,994,498	5,663,910	3,559,462	2,186,121	2,649,453	2,485,011
Total	\$734,854,716	\$288,515,109	\$146,709,690	\$64,451,277	\$94,993,237	\$145,047,115

Scheduled repayment amounts of interest-bearing liabilities subsequent to the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen					
	2020					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥105,874,459	¥15,016,765	¥13,244,338	¥15,125,567	¥33,740,852	¥—
Payables under repurchase agreements	14,855,624	—	—	—	—	—
Payables under securities lending transactions	2,219,384	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Borrowed money	5,100	2,600	2,400	—	—	—
Total	¥122,954,569	¥15,019,365	¥13,246,738	¥15,125,567	¥33,740,852	¥—

	Millions of yen					
	2019					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 92,409,073	¥23,711,100	¥12,211,908	¥13,067,231	¥39,597,802	¥—
Payables under repurchase agreements	11,569,371	—	—	—	—	—
Payables under securities lending transactions	2,473,457	—	—	—	—	—
Commercial paper	28,050	—	—	—	—	—
Borrowed money	3,900	—	—	—	—	—
Total	¥106,483,853	¥23,711,100	¥12,211,908	¥13,067,231	¥39,597,802	¥—

	Thousands of U.S. dollars					
	2020					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	\$ 972,842,596	\$137,983,697	\$121,697,499	\$138,983,437	\$310,032,646	\$—
Payables under repurchase agreements	136,503,031	—	—	—	—	—
Payables under securities lending transactions	20,393,132	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Borrowed money	46,862	23,890	22,052	—	—	—
Total	\$1,129,785,622	\$138,007,588	\$121,719,552	\$138,983,437	\$310,032,646	\$—

\*Demand deposits are included in "One Year or Less."

## 23. Fair Value Information

The fair value information of securities was as follows.

Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, monetary claims bought, as well as securities listed on the consolidated balance sheets.

### a. Trading account securities

There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019.

### b. Held-to-maturity securities

	Type	Millions of yen		
		2020		
		Amount on the consolidated balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	¥20,804,000	¥21,279,726	¥475,726
	Japanese local government bonds	546,335	549,334	2,998
	Japanese corporate bonds	1,250,441	1,267,850	17,409
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	22,600,777	23,096,911	496,134
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	234,148	233,940	(208)
	Japanese local government bonds	600,452	599,119	(1,332)
	Japanese corporate bonds	735,330	731,575	(3,754)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	1,569,931	1,564,634	(5,296)
Total		¥24,170,708	¥24,661,546	¥490,838

		Millions of yen		
		2019		
Type	Amount on the consolidated balance sheet	Fair value	Difference	
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	¥25,015,921	¥25,771,471	¥755,550
	Japanese local government bonds	516,113	520,125	4,012
	Japanese corporate bonds	1,628,348	1,656,989	28,640
	Others:	32,433	37,447	5,014
	Foreign bonds	32,433	37,447	5,014
	Total	27,192,816	27,986,034	793,218
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	17,361	17,349	(11)
	Japanese corporate bonds	32,400	32,386	(14)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	49,761	49,735	(25)
<b>Total</b>	<b>¥27,242,577</b>	<b>¥28,035,770</b>	<b>¥793,192</b>	

		Thousands of U.S. dollars		
		2020		
Type	Amount on the consolidated balance sheet	Fair value	Difference	
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	\$191,160,525	\$195,531,808	\$4,371,283
	Japanese local government bonds	5,020,085	5,047,637	27,551
	Japanese corporate bonds	11,489,858	11,649,826	159,967
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	207,670,470	212,229,272	4,558,802
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	2,151,509	2,149,594	(1,915)
	Japanese local government bonds	5,517,340	5,505,091	(12,248)
	Japanese corporate bonds	6,756,686	6,722,183	(34,502)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	14,425,535	14,376,869	(48,665)
<b>Total</b>	<b>\$222,096,005</b>	<b>\$226,606,142</b>	<b>\$4,510,136</b>	

c. Available-for-sale securities whose fair value is available

		Millions of yen		
		2020		
Type	Amount on the consolidated balance sheet	Acquisition cost	Difference (Note 1)	
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Japanese stocks	¥ —	¥ —	¥ —
	Bonds:	38,512,761	37,607,986	904,775
	Japanese government bonds	30,054,591	29,222,557	832,033
	Japanese local government bonds	4,060,016	4,033,405	26,611
	Japanese corporate bonds	4,398,154	4,352,023	46,130
	Others:	17,336,223	16,087,226	1,248,996
	Foreign bonds	13,386,880	12,368,771	1,018,109
	Investment trusts (Note 2)	3,758,275	3,529,533	228,742
	Total	55,848,985	53,695,213	2,153,772
	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Japanese stocks	—	—
Bonds:		6,854,219	6,901,858	(47,638)
Japanese government bonds		2,543,373	2,581,183	(37,810)
Japanese local government bonds		779,544	780,480	(935)
Japanese corporate bonds		3,531,301	3,540,194	(8,892)
Others:		46,960,122	49,818,126	(2,858,003)
Foreign bonds		10,319,989	10,908,673	(588,683)
Investment trusts (Note 2)		36,450,387	38,719,545	(2,269,158)
Total		53,814,342	56,719,984	(2,905,642)
Total		¥109,663,327	¥110,415,197	¥ (751,869)

		Millions of yen		
		2019		
Type	Amount on the consolidated balance sheet	Acquisition cost	Difference (Note 1)	
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Japanese stocks	¥ 66,567	¥ 59,344	¥ 7,223
	Bonds:	45,895,514	44,595,473	1,300,041
	Japanese government bonds	33,150,284	31,982,512	1,167,772
	Japanese local government bonds	5,665,216	5,614,316	50,900
	Japanese corporate bonds	7,080,013	6,998,644	81,368
	Others:	38,712,947	37,504,719	1,208,228
	Foreign bonds	14,385,705	13,494,508	891,196
	Investment trusts (Note 2)	24,076,421	23,761,346	315,074
	Total	84,675,029	82,159,536	2,515,493
	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Japanese stocks	30,336	32,435
Bonds:		1,430,728	1,431,897	(1,168)
Japanese government bonds		190,362	190,449	(87)
Japanese local government bonds		185,273	185,467	(194)
Japanese corporate bonds		1,055,093	1,055,980	(887)
Others:		22,885,430	23,269,053	(383,622)
Foreign bonds		7,617,390	7,870,835	(253,444)
Investment trusts (Note 2)		15,158,181	15,288,338	(130,156)
Total		24,346,496	24,733,385	(386,889)
Total		¥109,021,526	¥106,892,922	¥2,128,603

		Thousands of U.S. dollars		
		2020		
Type		Amount on the consolidated balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Japanese stocks	\$ —	\$ —	\$ —
	Bonds:	353,880,012	345,566,353	8,313,659
	Japanese government bonds	276,160,903	268,515,644	7,645,258
	Japanese local government bonds	37,306,042	37,061,520	244,521
	Japanese corporate bonds	40,413,066	39,989,187	423,878
	Others:	159,296,366	147,819,782	11,476,583
	Foreign bonds	123,007,266	113,652,226	9,355,040
	Investment trusts (Note 2)	34,533,452	32,431,622	2,101,829
	Total	513,176,379	493,386,135	19,790,243
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Japanese stocks	—	—	—
	Bonds:	62,980,975	63,418,709	(437,734)
	Japanese government bonds	23,370,147	23,717,574	(347,427)
	Japanese local government bonds	7,162,957	7,171,555	(8,597)
	Japanese corporate bonds	32,447,870	32,529,579	(81,709)
	Others:	431,499,795	457,760,969	(26,261,173)
	Foreign bonds	94,826,698	100,235,902	(5,409,204)
	Investment trusts (Note 2)	334,929,590	355,780,077	(20,850,486)
	Total	494,480,771	521,179,679	(26,698,908)
<b>Total</b>	<b>\$1,007,657,150</b>	<b>\$1,014,565,814</b>	<b>\$ (6,908,664)</b>	

Notes: 1. Of the difference shown above, ¥308,341 million (\$2,833,235 thousand) losses and ¥266,443 million losses were included in the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019, respectively, because of the application of fair value hedge accounting.

2. Investment trusts are mainly invested in foreign bonds.

3. Available-for-sale securities that are deemed to be extremely difficult to determine a fair value as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet
Japanese stocks	¥ 9,953	¥ 3,496	\$ 91,455
Investment trusts	1,692,354	1,199,338	15,550,440
Investments in partnerships	48,333	30,732	444,116
<b>Total</b>	<b>¥1,750,640</b>	<b>¥1,233,567</b>	<b>\$16,086,012</b>

Since these securities did not have a market price and they were extremely difficult to determine a fair value, they are not included in "Available-for-sale securities whose fair value is available" shown above.

#### d. Held-to-maturity securities sold during the fiscal year

There were no held-to-maturity securities sold during the fiscal years ended March 31, 2020 and 2019.

**e. Available-for-sale securities sold during the fiscal year**

Available-for-sale securities sold during the fiscal years ended March 31, 2020 and 2019 consisted of the following:

Type	Millions of yen		
	2020		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	¥ 98,055	¥ 8,143	¥ (1,868)
Bonds:	988,246	6,217	(2,651)
Japanese government bonds	985,609	6,217	(2,578)
Japanese corporate bonds	2,637	—	(72)
Others:	1,148,749	19,518	(9,427)
Foreign bonds	341,093	4,531	—
Investment trusts	807,655	14,987	(9,427)
Total	¥2,235,051	¥33,879	¥(13,946)

Type	Millions of yen		
	2019		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	¥ 1,269	¥ 177	¥ (1,527)
Bonds:	1,523,676	7,627	(21)
Japanese government bonds	1,516,682	7,495	—
Japanese corporate bonds	6,993	131	(21)
Others:	1,096,597	4,924	(26,341)
Foreign bonds	821,744	1,850	(21,697)
Investment trusts	274,852	3,074	(4,643)
Total	¥2,621,543	¥12,729	¥(27,890)

Type	Thousands of U.S. dollars		
	2020		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	\$ 900,993	\$ 74,831	\$ (17,166)
Bonds:	9,080,643	57,126	(24,363)
Japanese government bonds	9,056,411	57,126	(23,693)
Japanese corporate bonds	24,232	—	(669)
Others:	10,555,453	179,352	(86,623)
Foreign bonds	3,134,190	41,638	—
Investment trusts	7,421,262	137,713	(86,623)
Total	\$20,537,089	\$311,311	\$(128,153)

**f. Securities for which accounting for impairment was applied**

For securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Group reduces its book value of securities to fair value on the consolidated balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized. Impairment losses for the fiscal years ended March 31, 2020 and 2019 amounted to ¥20 million (\$187 thousand) and ¥8,063 million, respectively.

The criteria for determining if a security's fair value shows a "substantial decline," as a general principle, are as follows:

- a) Bonds and bonds equivalent
  - Securities whose fair value is 70% or less than the acquisition cost
- b) Securities other than a)
  - Securities whose fair value is 50% or less than the acquisition cost, or
  - Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

#### g. Money held in trust

The fair value information of money held in trust was as follows.

The Group did not hold money held in trust for the purpose of trading as of March 31, 2020.

Money held in trust for the purpose of trading as of March 31, 2019 was as follows:

	Millions of yen	
	Amount on the consolidated balance sheet	Net unrealized gains (losses) included in the profit and loss recorded in the consolidated statement of income for the fiscal year
Money held in trust for the purpose of trading	¥39,290	¥(3)

The Group did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2020 and 2019.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2020 and 2019 were as follows:

	Millions of yen				
	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥4,181,926	¥3,366,562	¥815,364	¥869,238	¥(53,874)

	Millions of yen				
	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥3,685,831	¥2,562,581	¥1,123,250	¥1,134,787	¥(11,537)

	Thousands of U.S. dollars				
	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	\$38,426,227	\$30,934,136	\$7,492,090	\$7,987,121	\$(495,030)

- Notes: 1. "Those for which the amount on the consolidated balance sheet exceeds the acquisition cost" and "Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.  
 2. Money held in trust classified as available-for-sale that is deemed to be extremely difficult to determine a fair value as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet
Money held in trust classified as:			
Available-for-sale	<b>¥367,810</b>	¥265,658	<b>\$3,379,675</b>

Since these money held in trust did not have a market price and they were extremely difficult to determine a fair value, they are not included in "Money held in trust (excluding trading and held-to-maturity purposes)" shown above.

#### h. Money held in trust for which accounting for impairment was applied

For securities with market quotations invested in the money held in trust (excluding money held in trust for the purpose of trading), whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Group reduces its book value of securities to fair value on the consolidated balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized. Impairment losses for the fiscal years ended March 31, 2020 and 2019 amounted to ¥9,212 million (\$84,653 thousand) and ¥3,573 million, respectively.

The criteria for determining if a security's fair value shows a "substantial decline," as a general principle, are as follows:

- a) Bonds and bonds equivalent
  - Securities whose fair value is 70% or less than the acquisition cost
- b) Securities other than a)
  - Securities whose fair value is 50% or less than the acquisition cost, or
  - Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

#### i. Unrealized gains (losses) on available-for-sale securities

Unrealized gains (losses) on available-for-sale securities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation differences:	<b>¥ 370,090</b>	¥ 3,517,063	<b>\$ 3,400,633</b>
Available-for-sale securities	<b>(443,761)</b>	2,394,796	<b>(4,077,566)</b>
Money held in trust classified as:			
Available-for-sale	<b>813,852</b>	1,122,266	<b>7,478,200</b>
Deferred tax assets (liabilities)	<b>(113,393)</b>	(1,077,115)	<b>(1,041,936)</b>
Unrealized gains (losses) on available-for-sale securities (before adjustment)	<b>256,696</b>	2,439,947	<b>2,358,696</b>
Amount corresponding to non-controlling interests	<b>177</b>	77	<b>1,630</b>
Amount corresponding to net unrealized gains (losses) on available-for-sale securities owned by affiliated company, which is attributable to the Bank	<b>0</b>	0	<b>0</b>
Unrealized gains (losses) on available-for-sale securities	<b>¥ 256,874</b>	¥ 2,440,024	<b>\$ 2,360,327</b>

Notes: 1. In addition to the difference shown above, ¥308,341 million (\$2,833,235 thousand) losses and ¥266,443 million losses were included in the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019, respectively, because of the application of fair value hedge accounting.

2. "Valuation differences" for the fiscal years ended March 31, 2020 and 2019 included the following:

- Valuation differences related to available-for-sale securities which comprised partnership asset components: ¥232 million (\$2,138 thousand) losses and ¥250 million losses
- Foreign currency translation adjustment related to available-for-sale securities denominated in foreign currencies included in trust asset components of money held in trust classified as available-for-sale that is deemed to be extremely difficult to determine a fair value: ¥1,511 million (\$13,890 thousand) losses and ¥983 million losses

## 24. Derivatives

### a. Derivatives for which hedge accounting is not applied as of March 31, 2020 and 2019

For derivative transactions for which hedge accounting is not applied, the contract amounts at the balance sheet date for each type of underlying instrument, the principal equivalent amount stipulated in the contract, the fair value, unrealized gains or losses, and the valuation method are as follows. The amount shown as the contract amount, etc., does not show market risk related to the derivative transactions.

#### (1) Interest rate-related derivatives

		Millions of yen			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	¥146,267	¥127,766	¥ 34,182	¥ 34,182
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	162,156	141,370	(34,764)	(34,764)
Total		/	/	¥ (582)	¥ (582)

		Millions of yen			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	¥191,346	¥191,346	¥ 9,223	¥ 9,223
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	184,465	184,465	(9,577)	(9,577)
Total		/	/	¥ (354)	¥ (354)

		Thousands of U.S. dollars			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	\$1,344,000	\$1,174,000	\$ 314,086	\$ 314,086
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	1,490,000	1,299,000	(319,438)	(319,438)
Total		/	/	\$ (5,351)	\$ (5,351)

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statements of income.  
2. The fair value is determined using the discounted cash flows.

#### (2) Currency-related derivatives

		Millions of yen			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥285,497	¥—	¥(1,302)	¥(1,302)
	Foreign exchange forward contracts—bought	148,351	—	289	289
Total		/	/	¥(1,013)	¥(1,013)

		Millions of yen			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥405,447	¥—	¥ 272	¥ 272
	Foreign exchange forward contracts—bought	370,168	—	(509)	(509)
Total		/	/	¥(236)	¥(236)

		Thousands of U.S. dollars			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	\$2,623,337	\$—	\$(11,969)	\$(11,969)
	Foreign exchange forward contracts—bought	1,363,147	—	2,656	2,656
Total		/	/	\$ (9,313)	\$ (9,313)

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statements of income.  
2. The fair value is determined using the discounted cash flows.

### (3) Equity-related derivatives

		Millions of yen			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Equity price index futures—sold	¥35,773	¥—	¥698	¥698
Total		/	/	¥698	¥698

		Millions of yen			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Equity price index futures—sold	¥8,033	¥—	¥73	¥73
Total		/	/	¥73	¥73

		Thousands of U.S. dollars			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Equity price index futures—sold	\$328,709	\$—	\$6,418	\$6,418
Total		/	/	\$6,418	\$6,418

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statements of income.  
2. The fair value is determined using the closing price of OSAKA Exchange.

### (4) Bond-related derivatives

		Millions of yen			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	¥17,932	¥—	¥403	¥403
Total		/	/	¥403	¥403

		Millions of yen			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 3)	Unrealized gains/losses
Listed	Bond futures—sold	¥106,399	¥—	¥(723)	¥(723)
<b>Total</b>		/	/	¥(723)	¥(723)

		Thousands of U.S. dollars			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	\$164,775	\$—	\$3,707	\$3,707
<b>Total</b>		/	/	\$3,707	\$3,707

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statements of income.  
 2. The fair value is determined using the closing price of Eurex Exchange.  
 3. The fair value is determined using the closing price of OSAKA Exchange, etc.

(5) Commodity-related derivatives: None as of March 31, 2020 and 2019

(6) Credit derivatives

		Millions of yen			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Credit default swaps—sold	¥28,088	¥28,088	¥651	¥651
<b>Total</b>		/	/	¥651	¥651

		Millions of yen			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Credit default swaps—sold	¥23,109	¥23,109	¥733	¥733
<b>Total</b>		/	/	¥733	¥733

		Thousands of U.S. dollars			
		2020			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Credit default swaps—sold	\$258,093	\$258,093	\$5,990	\$5,990
<b>Total</b>		/	/	\$5,990	\$5,990

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statements of income.  
 2. The fair value is determined using the discounted cash flows.  
 3. "Sold" represents transactions in which the credit risk is accepted.

**b. Derivatives for which hedge accounting is applied as of March 31, 2020 and 2019**

For derivative transactions for which hedge accounting is applied, the contract amount at the balance sheet date for each type of underlying instruments for each hedge accounting method, the principal equivalent amount stipulated in the contract, the fair value, and the valuation method are as follows. The amount shown as the contract amount, etc., does not show market risk related to the derivative transactions.

## (1) Interest rate-related derivatives

			Millions of yen		
			2020		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	Available-for-sale securities (Japanese government bonds and foreign securities), Deposits	¥3,400,000	¥3,400,000	¥ 59,751
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps		5,513,409	4,894,995	(525,138)
Total			/	/	¥(465,386)

			Millions of yen		
			2019		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	Available-for-sale securities (Japanese government bonds and foreign securities), Deposits	¥3,400,000	¥3,400,000	¥ 55,332
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps		4,439,145	4,110,517	(212,645)
Total			/	/	¥(157,313)

			Thousands of U.S. dollars		
			2020		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	Available-for-sale securities (Japanese government bonds and foreign securities), Deposits	\$31,241,385	\$31,241,385	\$ 549,035
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps		50,660,753	44,978,364	(4,825,308)
Total			/	/	\$(4,276,273)

Notes: 1. The deferred hedge accounting method is applied as the hedge accounting method for interest rate risks arising from financial assets and liabilities.  
2. The fair value is determined using the discounted cash flows.

## (2) Currency-related derivatives

			Millions of yen		
			2020		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities (Foreign securities)	¥7,426,920	¥6,585,868	¥(80,233)
Accounting method for recognizing gains and losses on hedged items	Currency swap	Available-for-sale securities (Foreign securities)	411,296	411,296	(5,989)
	Foreign exchange forward contracts—sold		2,722,207	—	9,509
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to-maturity securities (Foreign securities)	—	—	—
Total			/	/	¥(76,713)

Hedge accounting method	Type	Primary hedged instrument	Millions of yen		
			2019		
			Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities (Foreign securities)	¥6,527,044	¥6,080,467	¥(33,197)
Accounting method for recognizing gains and losses on hedged items	Currency swap	Available-for-sale securities (Foreign securities)	—	—	—
	Foreign exchange forward contracts—sold		3,183,699	—	(18,196)
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to-maturity securities (Foreign securities)	32,433	—	(Note 3)
<b>Total</b>			/	/	¥(51,393)

Hedge accounting method	Type	Primary hedged instrument	Thousands of U.S. dollars		
			2020		
			Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities (Foreign securities)	\$68,243,319	\$60,515,192	\$(737,239)
Accounting method for recognizing gains and losses on hedged items	Currency swap	Available-for-sale securities (Foreign securities)	3,779,252	3,779,252	(55,031)
	Foreign exchange forward contracts—sold		25,013,388	—	87,375
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to-maturity securities (Foreign securities)	—	—	—
<b>Total</b>			/	/	\$(704,894)

Notes: 1. The deferred hedge accounting method is primarily used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.

2. The fair value is determined using the discounted cash flows.

3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the securities being hedged, and their fair value is therefore included in that of the corresponding securities under Note 22. Financial Instruments.

(3) Equity-related derivatives: None as of March 31, 2020 and 2019

(4) Bond-related derivatives: None as of March 31, 2020 and 2019

## 25. Loans

There were no loans to bankrupt borrowers, past-due loans for three months or more, and restructured loans as of March 31, 2020 and 2019.

Loans to bankrupt borrowers refer to loans for which accrued interest is not recognized upon determination that collection or repayment of principal or interest is unlikely due to a delay in payment of principal or interest over a considerable period or for some other reasons (excluding the portion written down, hereinafter "non-accrual loans") which satisfy the conditions stipulated in Article 96, Paragraph 1, Item 3, (a) through (e) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) or Item 4 of the same Paragraph.

Past-due loans for three months or more refer to loans with principal or interest unpaid for three months or more after the day following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.

Restructured loans refer to loans of which terms and conditions have been amended in favor of the borrowers, such as by a reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness, with the objective of restructuring businesses of the borrowers or supporting them, excluding the loans to bankrupt borrowers, non-accrual delinquent loans and past-due loans for three months or more.

Non-accrual delinquent loans, before reserved, were ¥0 million (\$0 thousand) as of March 31, 2020. There were no loans to non-accrual delinquent loans as of March 31, 2019. Non-accrual delinquent loans refer to non-accrual loans other than the loans to bankrupt borrowers and the loans for which interest payments are deferred with the objective of restructuring businesses of the borrowers or supporting them.

The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more, and restructured loans were, before reserved, ¥0 million (\$0 thousand) as of March 31, 2020.

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The Group will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated.

The unused commitment balance relating to these loan agreements amounted to ¥49,700 million (\$456,675 thousand) and ¥16,997 million as of March 31, 2020 and 2019, respectively. Of this amount, loan agreements in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time were ¥20,000 million (\$183,772 thousand) as of March 31, 2020. There were no loan agreements in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time as of March 31, 2019.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows of the Group. Conditions are included in certain loan agreements that allow the Group to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Group's credit. At the inception of contracts, the Group has the obligor pledge collateral to the Group in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Group reviews the obligor's financial condition in accordance with the Bank's (or the subsidiaries') established internal procedures and takes necessary measures to protect their credit.

## 26. Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2020 and 2019 was as follows:

### a. Outline of employees' retirement benefit plans adopted by the Group

The Group has a lump-sum retirement payment plan for employees based on the internal retirement benefit rule.

In addition, started from October 1, 2015, the new retirement pension plan has been applied to the Bank. The plan is based on the "Act for Partial Amendment of the Act on National Public Officers' Retirement Allowance, etc., for the Purpose of Review over the Levels of the Retirement Benefits for National Public Officers (Act No. 96 of 2012)," which was introduced as a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension.

## b. Defined-benefit plan

### (1) Reconciliations of the projected benefit obligation at the beginning and the end of the fiscal years

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Projected benefit obligation at the beginning of the fiscal year	¥134,837	¥135,655	\$1,238,978
Service cost	7,113	7,240	65,367
Interest cost on projected benefit obligation	943	949	8,667
Net actuarial (gains) losses arising during the fiscal year	13	(80)	123
Retirement benefits paid	(8,512)	(8,666)	(78,214)
Other	(163)	(260)	(1,502)
Projected benefit obligation at the end of the fiscal year	¥134,232	¥134,837	\$1,233,418

### (2) Reconciliations of the projected benefit obligation at the end of the fiscal years and the liability for retirement benefits recorded on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unfunded projected benefit obligation	¥134,232	¥134,837	\$1,233,418
The liability for retirement benefits recorded on the consolidated balance sheet	¥134,232	¥134,837	\$1,233,418

### (3) Total retirement benefit costs and components

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 7,113	¥ 7,240	\$ 65,367
Interest cost on projected benefit obligation	943	949	8,667
Amortization of net actuarial (gains) losses	(782)	(1,005)	(7,187)
Amortization of prior service cost	(1,161)	(1,161)	(10,669)
Other	77	98	708
Total retirement benefit costs related to the defined-benefit plan	¥ 6,191	¥ 6,121	\$ 56,887

### (4) Adjustments for retirement benefits (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥(1,161)	¥(1,161)	\$(10,669)
Net actuarial (gains) losses	(795)	(924)	(7,310)
Total	¥(1,956)	¥(2,086)	\$(17,980)

### (5) Accumulated adjustments for retirement benefits (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	¥5,709	¥6,870	\$52,460
Unrecognized net actuarial gains (losses)	1,686	2,482	15,500
Total	¥7,396	¥9,352	\$67,961

### (6) The major assumptions used in the calculation of projected benefit obligation

	2020	2019
Discount rate	0.7%	0.7%

## 27. Deferred Tax Assets/Liabilities

Income taxes, which consist of corporation, inhabitants', and enterprise taxes, are calculated based on taxable income.

### a. The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Reserve for possible loan losses	¥ 7	¥ —	\$ 65
Liability for retirement benefits	41,108	41,293	377,732
Accrued enterprise taxes	3,228	1,396	29,661
Net deferred losses on hedges	144,765	27,525	1,330,196
Reserve for reimbursement of deposits	24,599	27,051	226,034
Depreciation	8,775	8,573	80,635
Software in progress	2,078	3,491	19,095
Unrealized losses of money held in trust	1,680	3,149	15,438
Other	20,351	20,695	187,000
Subtotal deferred tax assets	246,593	133,176	2,265,859
Valuation allowance	(20)	(2)	(191)
Total deferred tax assets	246,572	133,174	2,265,668
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(113,393)	(1,077,115)	(1,041,936)
Other	(7,709)	(7,841)	(70,843)
Total deferred tax liabilities	(121,103)	(1,084,957)	(1,112,779)
Net deferred tax assets (liabilities)	¥ 125,468	¥ (951,783)	\$ 1,152,888

### b. The reconciliation of the effective statutory tax rate of the Group to the effective income tax rate for the fiscal years ended March 31, 2020 and 2019 was as follows:

	2020	2019
Effective statutory tax rate	30.62%	30.62%
Adjustments for:		
Permanent differences (e.g., Entertainment expenses)	0.00	0.02
Permanent differences (e.g., Cash dividends received)	(0.92)	(0.90)
Per capita inhabitants' taxes, etc.	0.07	0.07
Income tax credit	(2.45)	(2.35)
Other	0.58	0.67
Effective income tax rate	27.91%	28.14%

## 28. Segment Information

Segment information is omitted since the Group comprises of only one segment, which is defined as banking service.

### Related Information

#### a. Information about services

Information about services is omitted since income from securities investment accounted for more than 90% of the total income in the consolidated statement of income for the fiscal years ended March 31, 2020 and 2019.

**b. Information about geographical areas****(1) Income**

Information about income by geographical area is omitted as income from external customers in Japan accounted for more than 90% of the total income in the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019.

**(2) Tangible fixed assets**

Information about tangible fixed assets by geographical areas is omitted as related assets located in Japan accounted for more than 90% of the tangible fixed assets in the consolidated balance sheets as of March 31, 2020 and 2019.

**c. Information about major customers**

Information about major customers is omitted as there was no single external customer that accounted for 10% or more of the total income in the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019.

**Information about losses on impairment of fixed assets by reported segments**

The related information is omitted as the Group comprises of only one segment, which is defined as banking service.

**Information about amortization of goodwill and unamortized balance by reported segments**

None

**Information about recognized gain on negative goodwill by reported segments**

The related information is omitted as the Group comprises of only one segment, which is defined as banking service.

**29. Related Party Transactions****a. Transactions with related parties**

Transactions between the Group and related parties for the fiscal years ended March 31, 2020 and 2019 were as follows:

**(1) Transactions between the Group and the parent company, or major corporate shareholders:**

For the fiscal year ended March 31, 2020

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	<b>89.00% of the Bank's shares (Direct)</b>	
Capital	<b>¥3,500,000 million (\$32,160,249 thousand)</b>	
Nature of transactions	<b>Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors Payment of IT system (PNET) service charge</b>	
Details of transactions	<b>Payment of brand royalty fees*</b>	<b>Payment of IT system (PNET) service charge**</b>
Transaction amount	<b>¥4,169 million (\$38,307 thousand)</b>	<b>¥2,002 million (\$18,395 thousand)</b>
Account	<b>Other liabilities</b>	<b>Other liabilities</b>
Outstanding balance at the end of the fiscal year	<b>¥382 million (\$3,511 thousand)</b>	<b>¥454 million (\$4,177 thousand)</b>

Transaction conditions and policies on determining transaction conditions, etc.

\*The Bank belongs to JAPAN POST GROUP and receives benefits from the brand value of JAPAN POST GROUP that reflects the Bank's performance, and pays brand royalty fees calculated at a certain rate of the average deposit balance for the previous fiscal year, which is considered as the representative performance metric.

\*\*Payment is made for data processing services using JAPAN POST GROUP internal networks at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

For the fiscal year ended March 31, 2019

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	89.00% of the Bank's shares (Direct)
Capital	¥3,500,000 million
Nature of transactions	Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors
Details of transactions	Payment of brand royalty fees*
Transaction amount	¥4,148 million
Account	Other liabilities
Outstanding balance at the end of the fiscal year	¥373 million

Transaction conditions and policies on determining transaction conditions, etc.

\*The Bank belongs to JAPAN POST GROUP and receives benefits from the brand value of JAPAN POST GROUP that reflects the Bank's performance, and pays brand royalty fees calculated at a certain rate of the average deposit balance for the previous fiscal year, which is considered as the representative performance metric.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

(2) Transactions between the Group and unconsolidated subsidiaries or affiliates:

None for the fiscal years ended March 31, 2020 and 2019

(3) Transactions between the Group and companies with the same parent or subsidiaries of the Group's affiliates:

For the fiscal year ended March 31, 2020

JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil				
Capital	¥400,000 million (\$3,675,457 thousand)				
Nature of transactions	Concurrent holding of positions by executive management directors, Commissions on bank agency services, etc., Bank counter services agreement and Consignment contracts for logistics operations				
Details of transactions	Payment of commissions on bank agency services, etc.*	Receipt and payment of funds related to bank agency services	—***	Payment of consignment fees for logistics operations****	
Transaction amount	¥369,716 million (\$3,397,193 thousand)	¥868,934 million (\$7,984,328 thousand)		¥3,156 million (\$29,003 thousand)	
Account	Other liabilities	Other assets**	Other assets ***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥34,555 million (\$317,519 thousand)	¥810,000 million (\$7,442,800 thousand)	¥3,160 million (\$29,042 thousand)	¥315 million (\$2,901 thousand)	¥89 million (\$823 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

\*The figures are determined based on costs, etc., incurred in connection with commissions on bank agency services, etc.

\*\*The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2019.

\*\*\*The figures represent the unsettled amount between the Bank and JAPAN POST Co., Ltd. in connection with receipt/payment operations with customers in bank agency services. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

\*\*\*\*Payment is made for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

Notes: 1. Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

2. In addition to the above transactions, pursuant to the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network, from the fiscal year ended March 31, 2020, of the costs necessary to maintain the post office network, the costs that are indispensable for securing the universal services (except for those incurred by JAPAN POST Co., Ltd.) are covered by the subsidy from the Organization for Postal Savings, Postal Life Insurance and Post Office Network granted to JAPAN POST Co., Ltd. The subsidy has been funded by contributions from the Bank and JAPAN POST INSURANCE Co., Ltd. The contribution made by the Bank for the fiscal year ended March 31, 2020 was ¥237,820 million (\$2,185,246 thousand).

## Japan Post Information Technology Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil
Capital	¥3,150 million (\$28,944 thousand)
Nature of transactions	Concurrent holding of positions by executive management directors Payment of IT system (PNET) service charge
Details of transactions	Payment of IT system (PNET) service charge*
Transaction amount	¥16,814 million (\$154,505 thousand)
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥1,241 million (\$11,404 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

\*Payment is made for data processing services using JAPAN POST GROUP internal networks at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

## For the fiscal year ended March 31, 2019

## JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil				
Capital	¥400,000 million				
Nature of transactions	Concurrent holding of positions by executive management directors, Commissions on bank agency services, etc., Bank counter services agreement and Consignment contracts for logistics operations				
Details of transactions	Payment of commissions on bank agency services, etc.*	Receipt and payment of funds related to bank agency services	—***	Payment of consignment fees for logistics operations****	
Transaction amount	¥600,661 million	¥868,547 million	—***	¥3,282 million	
Account	Other liabilities	Other assets**	Other liabilities***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥53,834 million	¥810,000 million	¥22,767 million	¥387 million	¥92 million

Transaction conditions and policies on determining transaction conditions, etc.

\*The figures are determined based on costs, etc., incurred in connection with commissions on bank agency services, etc.

\*\*The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2019.

\*\*\*The figures represent the unsettled amount between the Bank and JAPAN POST Co., Ltd. in connection with receipt/payment operations with customers in bank agency services. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

\*\*\*\*Payment is made for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

## Japan Post Information Technology Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil
Capital	¥3,150 million
Nature of transactions	Concurrent holding of positions by executive management directors Payment of IT system (PNET) service charge
Details of transactions	Payment of IT system (PNET) service charge*
Transaction amount	¥22,787 million
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥1,532 million

Transaction conditions and policies on determining transaction conditions, etc.

\*Payment is made for data processing services using JAPAN POST GROUP internal networks at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

## (4) Transactions between the Group and directors and/or executive officers, or major individual shareholders:

None for the fiscal years ended March 31, 2020 and 2019

**b. Notes related to the parent company and/or significant affiliates**

(1) Information on the parent company

JAPAN POST HOLDINGS Co., Ltd. (Listed on Tokyo Stock Exchange)

(2) Information on significant affiliates

None

**30. Per Share Data**

Net assets per share as of March 31, 2020 and 2019 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	<b>¥2,398.98</b>	¥3,029.61	<b>\$22.04</b>
Net income per share	<b>72.94</b>	71.00	<b>0.67</b>

Notes: 1. Diluted net income per share is not presented since there has been no potential dilution for the fiscal years ended March 31, 2020 and 2019.  
2. Net assets per share as of March 31, 2020 and 2019 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net assets	<b>¥9,003,256</b>	¥11,362,365	<b>\$82,727,705</b>
Amounts deducted from net assets	<b>9,945</b>	4,968	<b>91,389</b>
Non-controlling interests	<b>9,945</b>	4,968	<b>91,389</b>
Net assets attributable to common stock at the end of the fiscal year	<b>8,993,310</b>	11,357,397	<b>82,636,316</b>
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	<b>3,748,792</b>	3,748,791	

3. Net income per share data for the fiscal years ended March 31, 2020 and 2019 was calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income attributable to owners of parent	<b>¥ 273,435</b>	¥ 266,189	<b>\$2,512,505</b>
Amount not attributable to common shareholders	—	—	—
Net income attributable to owners of parent attributable to common stock	<b>273,435</b>	266,189	<b>2,512,505</b>
Average number of common stock outstanding during the fiscal year (thousand shares)	<b>3,748,764</b>	3,748,789	

4. To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2020 and 2019 included 682 thousand shares and 683 thousand shares of treasury stock held by the stock benefit trust, respectively. To calculate net income per share, the treasury stock deducted to calculate the average number of outstanding shares for the fiscal years ended March 31, 2020 and 2019 included 710 thousand shares and 685 thousand shares of treasury stock held by the stock benefit trust, respectively.

**31. Significant Subsequent Event**

None



## Independent auditor's report

To the Board of Directors of JAPAN POST BANK Co., Ltd.:

### Opinion

We have audited the accompanying consolidated financial statements of JAPAN POST BANK Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.



## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ OZAWA Yoichi  
Designated Engagement Partner  
Certified Public Accountant

/S/ KANNO Masako  
Designated Engagement Partner  
Certified Public Accountant

/S/ OKADA Hideki  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 17, 2020

### **Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

# Non-Consolidated Financial Statements

## NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Assets:</b>			
Cash and due from banks:	¥ 51,663,901	¥ 50,698,549	\$ 474,721,140
Cash	333,373	239,674	3,063,248
Due from banks	51,330,528	50,458,875	471,657,891
Call loans	1,040,000	400,000	9,556,188
Receivables under resale agreements	9,731,897	8,368,139	89,422,934
Receivables under securities borrowing transactions	112,491	—	1,033,647
Monetary claims bought	315,812	295,679	2,901,892
Trading account securities:	31	2	291
Trading Japanese government bonds	31	2	291
Money held in trust	4,549,736	3,990,780	41,805,902
Securities:	135,198,460	137,135,264	1,242,290,361
Japanese government bonds	53,636,113	58,356,567	492,843,085
Japanese local government bonds	5,986,349	6,383,964	55,006,425
Japanese corporate bonds	9,915,227	9,795,855	91,107,482
Other securities	65,660,770	62,598,876	603,333,367
Loans:	4,961,733	5,297,424	45,591,599
Loans on deeds	4,817,573	5,139,073	44,266,966
Overdrafts	144,159	158,351	1,324,632
Foreign exchanges	147,469	80,396	1,355,046
Other assets	2,816,117	2,452,409	25,876,293
Tangible fixed assets	193,752	201,786	1,780,326
Intangible fixed assets	47,114	51,003	432,919
Deferred tax assets	127,662	—	1,173,049
Reserve for possible loan losses	(1,031)	(958)	(9,475)
<b>Total assets</b>	<b>¥210,905,152</b>	<b>¥208,970,478</b>	<b>\$1,937,932,117</b>

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Liabilities:</b>			
Deposits	¥183,004,733	¥180,999,134	\$1,681,565,131
Payables under repurchase agreements	14,855,624	11,569,371	136,503,031
Payables under securities lending transactions	2,219,384	2,473,457	20,393,132
Commercial paper	—	28,029	—
Borrowed money	10,100	3,900	92,805
Foreign exchanges	511	628	4,697
Other liabilities	1,596,945	1,354,810	14,673,758
Reserve for bonuses	7,331	7,739	67,365
Reserve for employees' retirement benefits	141,628	144,190	1,301,372
Reserve for employee stock ownership plan trust	605	839	5,566
Reserve for management board benefit trust	311	238	2,862
Reserve for reimbursement of deposits	80,324	88,332	738,075
Deferred tax liabilities	—	948,998	—
<b>Total liabilities</b>	<b>201,917,500</b>	<b>197,619,672</b>	<b>1,855,347,798</b>
<b>Net assets:</b>			
Capital stock	3,500,000	3,500,000	32,160,249
Capital surplus	4,296,285	4,296,285	39,477,037
Retained earnings	2,563,307	2,477,736	23,553,315
Treasury stock	(1,300,881)	(1,300,926)	(11,953,334)
Total shareholders' equity	9,058,711	8,973,095	83,237,268
Net unrealized gains (losses) on available-for-sale securities	256,880	2,440,064	2,360,379
Net deferred gains (losses) on hedges	(327,940)	(62,353)	(3,013,329)
Total valuation and translation adjustments	(71,060)	2,377,710	(652,949)
<b>Total net assets</b>	<b>8,987,651</b>	<b>11,350,806</b>	<b>82,584,318</b>
<b>Total liabilities and net assets</b>	<b>¥210,905,152</b>	<b>¥208,970,478</b>	<b>\$1,937,932,117</b>

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to US\$1.00, the approximate rate of exchange as of March 31, 2020.

## NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Income:</b>			
Interest income:	¥1,318,014	¥1,357,985	\$12,110,766
Interest on loans	11,113	12,093	102,120
Interest and dividends on securities	1,279,986	1,313,813	11,761,338
Interest on call loans	62	286	575
Interest on receivables under resale agreements	(4,663)	(1,203)	(42,855)
Interest on receivables under securities borrowing transactions	674	910	6,199
Interest on deposits with banks	27,824	29,758	255,668
Other interest income	3,016	2,326	27,718
Fees and commissions:	160,564	138,794	1,475,372
Fees and commissions on domestic and foreign exchanges	82,352	63,591	756,709
Other fees and commissions	78,212	75,203	718,663
Other operating income	212,888	228,925	1,956,154
Other income	107,815	119,610	990,677
<b>Total income</b>	<b>1,799,283</b>	<b>1,845,316</b>	<b>16,532,970</b>
<b>Expenses:</b>			
Interest expenses:	346,634	347,157	3,185,104
Interest on deposits	55,096	80,834	506,263
Interest on payables under repurchase agreements	78,877	59,101	724,777
Interest on payables under securities lending transactions	49,605	60,297	455,811
Interest on commercial paper	614	1,788	5,649
Interest on interest rate swaps	160,939	143,026	1,478,815
Other interest expenses	1,500	2,110	13,787
Fees and commissions:	31,673	32,032	291,035
Fees and commissions on domestic and foreign exchanges	4,789	4,400	44,006
Other fees and commissions	26,884	27,632	247,028
Other operating expenses	4,390	24,779	40,344
General and administrative expenses	1,018,320	1,035,378	9,356,983
Other expenses	19,636	35,775	180,434
<b>Total expenses</b>	<b>1,420,656</b>	<b>1,475,124</b>	<b>13,053,903</b>
<b>Income before income taxes</b>	<b>378,626</b>	<b>370,192</b>	<b>3,479,066</b>
<b>Income taxes:</b>			
Current	101,266	99,417	930,497
Deferred	4,315	4,596	39,656
<b>Total income taxes</b>	<b>105,581</b>	<b>104,013</b>	<b>970,154</b>
<b>Net income</b>	<b>¥ 273,044</b>	<b>¥ 266,178</b>	<b>\$ 2,508,912</b>

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## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

For the fiscal years ended March 31, 2020 and 2019

	Millions of yen						
	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward		
<b>2020</b>							
Balance at the beginning of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,477,736	¥(1,300,926)	¥8,973,095
Changes during the fiscal year:							
Cash dividends					(187,473)		(187,473)
Net income					273,044		273,044
Transfer to other capital surplus from legal capital surplus							—
Repurchase of treasury stock						(358)	(358)
Disposal of treasury stock						404	404
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	—	—	—	85,571	45	85,616
Balance at the end of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,563,307	¥(1,300,881)	¥9,058,711

	Millions of yen			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
<b>2020</b>				
Balance at the beginning of the fiscal year	¥ 2,440,064	¥ (62,353)	¥ 2,377,710	¥11,350,806
Changes during the fiscal year:				
Cash dividends				(187,473)
Net income				273,044
Transfer to other capital surplus from legal capital surplus				—
Repurchase of treasury stock				(358)
Disposal of treasury stock				404
Net changes in items other than shareholders' equity	(2,183,184)	(265,586)	(2,448,771)	(2,448,771)
Total changes during the fiscal year	(2,183,184)	(265,586)	(2,448,771)	(2,363,154)
Balance at the end of the fiscal year	¥ 256,880	¥(327,940)	¥ (71,060)	¥ 8,987,651

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED) (Continued)

	Millions of yen						
	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward		
2019							
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥ —	¥4,296,285	¥2,399,031	¥(1,300,717)	¥8,894,599
Changes during the fiscal year:							
Cash dividends					(187,473)		(187,473)
Net income					266,178		266,178
Transfer to other capital surplus from legal capital surplus		(796,285)	796,285	—			—
Repurchase of treasury stock						(542)	(542)
Disposal of treasury stock						333	333
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	(796,285)	796,285	—	78,704	(209)	78,495
Balance at the end of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,477,736	¥(1,300,926)	¥8,973,095

	Millions of yen			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
2019				
Balance at the beginning of the fiscal year	¥2,615,432	¥ 3,119	¥2,618,551	¥11,513,151
Changes during the fiscal year:				
Cash dividends				(187,473)
Net income				266,178
Transfer to other capital surplus from legal capital surplus				—
Repurchase of treasury stock				(542)
Disposal of treasury stock				333
Net changes in items other than shareholders' equity	(175,367)	(65,472)	(240,840)	(240,840)
Total changes during the fiscal year	(175,367)	(65,472)	(240,840)	(162,345)
Balance at the end of the fiscal year	¥2,440,064	¥(62,353)	¥2,377,710	¥11,350,806

	Thousands of U.S. dollars							
	Shareholders' equity						Total shareholders' equity	
	Capital stock	Capital surplus			Retained earnings			Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Retained earnings brought forward		
Retained earnings								
<b>2020</b>								
Balance at the beginning of the fiscal year	\$32,160,249	\$32,160,249	\$7,316,787	\$39,477,037	\$22,767,032	\$(11,953,750)	\$82,450,569	
Changes during the fiscal year:								
Cash dividends					(1,722,629)		(1,722,629)	
Net income					2,508,912		2,508,912	
Transfer to other capital surplus from legal capital surplus							—	
Repurchase of treasury stock						(3,298)	(3,298)	
Disposal of treasury stock						3,714	3,714	
Net changes in items other than shareholders' equity								
Total changes during the fiscal year	—	—	—	—	786,283	415	786,699	
Balance at the end of the fiscal year	\$32,160,249	\$32,160,249	\$7,316,787	\$39,477,037	\$23,553,315	\$(11,953,334)	\$83,237,268	

	Thousands of U.S. dollars			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
<b>2020</b>				
Balance at the beginning of the fiscal year	\$ 22,420,881	\$ (572,946)	\$ 21,847,934	\$104,298,503
Changes during the fiscal year:				
Cash dividends				(1,722,629)
Net income				2,508,912
Transfer to other capital surplus from legal capital surplus				—
Repurchase of treasury stock				(3,298)
Disposal of treasury stock				3,714
Net changes in items other than shareholders' equity	(20,060,501)	(2,440,383)	(22,500,884)	(22,500,884)
Total changes during the fiscal year	(20,060,501)	(2,440,383)	(22,500,884)	(21,714,185)
Balance at the end of the fiscal year	\$ 2,360,379	\$(3,013,329)	\$ (652,949)	\$ 82,584,318

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# Financial Data (Non-Consolidated)

## KEY FINANCIAL INDICATORS

### Key Financial Indicators

Fiscal years ended March 31

	Millions of yen	
	2020	2019
Ordinary income	¥ 1,799,283	¥ 1,845,316
Net ordinary income	379,077	374,299
Net income	273,044	266,178
Capital stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	4,500,000	4,500,000
Net assets	8,987,651	11,350,806
Total assets	210,905,152	208,970,478
Deposits	183,004,733	180,999,134
Loans	4,961,733	5,297,424
Securities	135,198,460	137,135,264
Net assets per share (yen)	2,397.47	3,027.85
Dividends per share (yen)	50.00	50.00
[Interim dividends per share] (yen)	[25.00]	[25.00]
Net income per share (yen)	72.83	71.00
Diluted net income per share (yen)	—	—
Capital adequacy ratio (non-consolidated, domestic standard)	15.55%	15.78%
Dividend payout ratio	68.64%	70.41%
Employees	12,477	12,800

- Notes: 1. To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of the end of the period included treasury stock held by the stock benefit trust. To calculate net income per share, the treasury stock deducted to calculate the average number of outstanding shares for the period included treasury stock held by the stock benefit trust.
2. Diluted net income per share is not presented since there has been no potential dilution for the fiscal years ended March 31, 2020 and 2019.
3. Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency of Japan, 2006).
4. Dividend payout ratio was calculated by dividing dividends per share of common stock by net income per share.
5. The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. In addition, the figures do not include part-time employees (including those who have converted to indefinite term employment based on the system for conversion to indefinite term employment (associate employees)).

## EARNINGS

### Income Analysis

Fiscal years ended March 31

	Millions of yen	
	2020	2019
Gross operating profit:	¥ 1,314,210	¥ 1,327,033
(Excluding gains (losses) on bonds)	1,306,113	1,339,275
Domestic gross operating profit:	681,442	748,330
(Excluding gains (losses) on bonds)	677,877	740,725
Net interest income	549,737	637,925
Net fees and commissions	128,540	106,007
Net trading income	—	—
Net other operating income (loss)	3,164	4,397
(Gains (losses) on bonds)	3,565	7,605
Overseas gross operating profit:	632,767	578,702
(Excluding gains (losses) on bonds)	628,236	598,550
Net interest income	427,083	378,200
Net fees and commissions	350	754
Net trading income	—	—
Net other operating income (loss)	205,333	199,748
(Gains (losses) on bonds)	4,531	(19,847)
General and administrative expenses:	(1,020,253)	(1,037,537)
Personnel expenses	(122,586)	(126,360)
Non-personnel expenses	(844,334)	(841,648)
Taxes and dues	(53,332)	(69,527)
Operating profit (before provision for general reserve for possible loan losses)	293,956	289,496
Core net operating profit	285,859	301,738
(Excluding gains (losses) on cancellation of investment trusts)	245,830	249,737
Provision for general reserve for possible loan losses	(15)	—
Net operating profit:	293,941	289,496
Gains (losses) on bonds	8,097	(12,241)
Non-recurring gains (losses):	85,135	84,803
Gains (losses) related to stocks	11,545	(10,983)
Gains (losses) on money held in trust	72,838	77,717
Other non-recurring gains (losses)	752	18,068
Net ordinary income	379,077	374,299
Extraordinary income (loss):	(450)	(4,107)
Gains (losses) on sales and disposals of fixed assets	(450)	(3,556)
Losses on impairment of fixed assets	(0)	(550)
Income before income taxes	378,626	370,192
Income taxes—current	(101,266)	(99,417)
Income taxes—deferred	(4,315)	(4,596)
Net income	273,044	266,178
Credit-related expenses:	(13)	14
Provision for general reserve for possible loan losses	(13)	14
Write-off of loans	—	—
Provision for specific reserve for possible loan losses	—	—
Recoveries of written-off loans	—	—

Notes: 1. Net interest income is calculated by deducting interest expenses (excluding the expenses in relation to money held in trust) from interest income.

2. Core net operating profit = Operating profit (before provision for general reserve for possible loan losses) – Gains (losses) on bonds

3. General and administrative expenses exclude non-recurring losses.

4. Credit-related expenses are those expenses related to problem assets disclosed under the Financial Reconstruction Act.

5. Numbers in parenthesis indicate the amount of loss, expense or decrease.

## Gross Operating Profit and Gross Operating Profit Margin

Fiscal years ended March 31

	Millions of yen	
	2020	2019
Gross operating profit	¥1,314,210	¥1,327,033
Gross operating profit margin	0.64%	0.66%

Notes: 1. Gross operating profit = net interest income + net fees and commissions + net other operating income (loss)

2. Gross operating profit margin = [gross operating profit / average balance of interest-earning assets] x 100

## Net Operating Profit, Operating Profit (Before Provision for General Reserve for Possible Loan Losses), Core Net Operating Profit, and Core Net Operating Profit (Excluding Gains (Losses) on Cancellation of Investment Trusts)

Fiscal years ended March 31

	Millions of yen	
	2020	2019
Net operating profit	¥293,941	¥289,496
Operating profit (before provision for general reserve for possible loan losses)	293,956	289,496
Core net operating profit	285,859	301,738
Core net operating profit (excluding gains (losses) on cancellation of investment trusts)	245,830	249,737

## Net Interest Income, Net Fees and Commissions, Net Trading Income, and Net Other Operating Income (Loss)

Fiscal years ended March 31

	Millions of yen		
	2020		
	Domestic	Overseas	Total
Net interest income:	¥549,737	¥427,083	¥ 976,821
Interest income	629,096	789,429	1,318,014
Interest expenses	79,358	362,345	341,193
Net fees and commissions:	128,540	350	128,891
Fees and commissions income	159,951	613	160,564
Fees and commissions expenses	31,410	262	31,673
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	3,164	205,333	208,497
Other operating income	6,217	206,671	212,888
Other operating expenses	3,052	1,337	4,390

	Millions of yen		
	2019		
	Domestic	Overseas	Total
Net interest income:	¥637,925	¥378,200	¥1,016,126
Interest income	752,825	700,201	1,357,985
Interest expenses	114,900	322,000	341,859
Net fees and commissions:	106,007	754	106,761
Fees and commissions income	137,906	888	138,794
Fees and commissions expenses	31,898	134	32,032
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	4,397	199,748	204,145
Other operating income	7,627	221,445	228,925
Other operating expenses	3,229	21,697	24,779

- Notes: 1. "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").
2. Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2020, ¥5,441 million; fiscal year ended March 31, 2019, ¥5,298 million).
3. Interest income on "domestic" includes interest on transactions between "domestic" and "overseas" (fiscal year ended March 31, 2020, ¥100,511 million; fiscal year ended March 31, 2019, ¥95,041 million).
4. For a part of interest income and expenses as well as other operating income and expenses, transactions between "domestic" and "overseas" are offset to calculate totals. As a result, the total of each account may not be equal to the combined total of "domestic" and "overseas" of each item.

## Average Balance, Interest, and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Fiscal years ended March 31

### Domestic

	Millions of yen					
	2020			2019		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥198,026,308	¥629,096	0.31%	¥194,710,207	¥752,825	0.38%
Loans	4,947,212	11,056	0.22	6,090,997	12,072	0.19
Securities	71,842,673	492,509	0.68	77,703,674	615,038	0.79
Due from banks, etc.	52,928,370	28,874	0.05	49,543,054	30,905	0.06
Interest-bearing liabilities:	190,695,746	79,358	0.04	187,129,472	114,900	0.06
Deposits	183,018,232	55,096	0.03	181,227,650	80,834	0.04
Payables under securities lending transactions	229,198	229	0.10	6,057,199	1,013	0.01

### Overseas

	Millions of yen					
	2020			2019		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥63,366,957	¥789,429	1.24%	¥59,119,568	¥700,201	1.18%
Loans	10,868	57	0.52	5,000	20	0.41
Securities	63,239,883	787,476	1.24	59,005,163	698,775	1.18
Due from banks, etc.	1,263	29	2.35	8,801	164	1.86
Interest-bearing liabilities:	63,324,744	362,345	0.57	58,418,073	322,000	0.55
Payables under securities lending transactions	2,240,788	49,376	2.20	2,619,354	59,283	2.26

### Total

	Millions of yen					
	2020			2019		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥203,590,095	¥1,318,014	0.64%	¥200,414,539	¥1,357,985	0.67%
Loans	4,958,081	11,113	0.22	6,095,997	12,093	0.19
Securities	135,082,556	1,279,986	0.94	136,708,838	1,313,813	0.96
Due from banks, etc.	52,929,633	28,904	0.05	49,551,855	31,069	0.06
Interest-bearing liabilities:	196,217,319	341,193	0.17	192,132,309	341,859	0.17
Deposits	183,018,232	55,096	0.03	181,227,650	80,834	0.04
Payables under securities lending transactions	2,469,986	49,605	2.00	8,676,554	60,297	0.69

Notes: 1. Income and expenses for money held in trust are included in "other income" and "other expenses," respectively. Accordingly, the average balance of money held in trust (fiscal year ended March 31, 2020, ¥3,129,526 million; fiscal year ended March 31, 2019, ¥2,977,608 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2020, ¥3,129,526 million; fiscal year ended March 31, 2019, ¥2,977,608 million) and the corresponding interest (fiscal year ended March 31, 2020, ¥5,441 million; fiscal year ended March 31, 2019, ¥5,298 million) are excluded from interest-bearing liabilities.

2. Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

3. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

## Changes in Interest Income and Expenses

Fiscal years ended March 31

### Domestic

	Millions of yen					
	2020			2019		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 12,622	¥(136,351)	¥(123,729)	¥ (1,326)	¥(97,881)	¥ (99,207)
Loans	(2,439)	1,423	(1,016)	3,312	(5,249)	(1,936)
Securities	(44,152)	(78,376)	(122,529)	(40,077)	(74,895)	(114,972)
Due from banks, etc.	2,018	(4,048)	(2,030)	(1,027)	6,817	5,789
Interest expenses:	2,150	(37,691)	(35,541)	602	(71,982)	(71,380)
Deposits	791	(26,528)	(25,737)	729	(65,024)	(64,295)
Payables under securities lending transactions	(1,762)	978	(783)	(454)	183	(271)

### Overseas

	Millions of yen					
	2020			2019		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥51,820	¥37,407	¥89,227	¥ 62,342	¥(94,312)	¥(31,969)
Loans	29	6	36	10	0	10
Securities	51,653	37,048	88,701	63,206	(94,796)	(31,590)
Due from banks, etc.	(168)	34	(134)	(1,062)	206	(855)
Interest expenses:	27,754	12,590	40,344	23,579	76,188	99,768
Payables under securities lending transactions	(8,376)	(1,530)	(9,907)	(22,840)	28,137	5,296

### Total

	Millions of yen					
	2020			2019		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 21,265	¥(61,236)	¥(39,971)	¥ (7,814)	¥(136,947)	¥(144,761)
Loans	(2,430)	1,450	(979)	3,319	(5,245)	(1,925)
Securities	(15,528)	(18,298)	(33,827)	2,560	(149,124)	(146,563)
Due from banks, etc.	2,023	(4,188)	(2,164)	(1,099)	6,033	4,934
Interest expenses:	7,188	(7,855)	(666)	394	14,409	14,803
Deposits	791	(26,528)	(25,737)	729	(65,024)	(64,295)
Payables under securities lending transactions	(65,514)	54,823	(10,691)	(21,976)	27,001	5,024

Notes: 1. Factors that increase or decrease both balance and interest rate are allocated based on the proportion of the increase or decrease in the balance and interest rate.

2. Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

3. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

## General and Administrative Expenses

Fiscal years ended March 31

	Millions of yen			
	2020		2019	
	Amount	%	Amount	%
Personnel expenses:	¥ 120,653	11.84	¥ 124,201	11.99
Salaries and allowances	98,694	9.69	101,619	9.81
Others	21,959	2.15	22,582	2.18
Non-personnel expenses:	844,334	82.91	841,648	81.28
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	369,716	36.30	600,661	58.01
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network (Note 1)	237,820	23.35	—	—
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note 2)	510	0.05	1,619	0.15
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59,486	5.84	59,654	5.76
Rent for land, buildings and others	11,956	1.17	13,332	1.28
Expenses on consigned businesses	64,085	6.29	65,031	6.28
Depreciation and amortization	36,146	3.54	33,688	3.25
Communication and transportation expenses	16,886	1.65	18,635	1.79
Maintenance expenses	12,457	1.22	11,866	1.14
IT expenses	16,791	1.64	16,774	1.62
Others	18,476	1.81	20,385	1.96
Taxes and dues	53,332	5.23	69,527	6.71
<b>Total</b>	<b>¥1,018,320</b>	<b>100.00</b>	<b>¥1,035,378</b>	<b>100.00</b>

Notes: 1. The Bank makes payments of contributions to the Organization for Postal Savings, Postal Life Insurance and Post Office Network in accordance with Article 18-3 of the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network.

2. The Bank makes subsidy payments to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Act.

## DEPOSITS

### Balances by Type of Deposit

As of March 31

#### Ending Balances

	Millions of yen			
	2020		2019	
	Amount	%	Amount	%
Liquid deposits:	¥ 87,567,568	47.84	¥ 79,959,377	44.17
Transfer deposits	7,712,325	4.21	16,143,580	8.91
Ordinary deposits, etc.	79,346,271	43.35	63,410,139	35.03
Savings deposits	508,971	0.27	405,656	0.22
Fixed-term deposits:	95,298,907	52.07	100,927,190	55.76
Time deposits	5,225,651	2.85	7,096,334	3.92
TEIGAKU deposits	90,073,256	49.21	93,830,855	51.84
Other deposits	138,256	0.07	112,566	0.06
Subtotal	183,004,733	100.00	180,999,134	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥183,004,733	100.00	¥180,999,134	100.00

Fiscal years ended March 31

#### Average Balances

	Millions of yen			
	2020		2019	
	Amount	%	Amount	%
Liquid deposits:	¥ 84,703,007	46.28	¥ 77,640,495	42.84
Transfer deposits	7,706,034	4.21	15,616,526	8.61
Ordinary deposits, etc.	76,527,985	41.81	61,624,216	34.00
Savings deposits	468,987	0.25	399,752	0.22
Fixed-term deposits:	98,087,845	53.59	103,344,557	57.02
Time deposits	6,208,331	3.39	7,891,098	4.35
TEIGAKU deposits	91,879,514	50.20	95,453,459	52.67
Other deposits	227,378	0.12	242,596	0.13
Subtotal	183,018,232	100.00	181,227,650	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥183,018,232	100.00	¥181,227,650	100.00

## Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2020	2019
Less than three months	Time deposits:	<b>¥1,700,029</b>	¥1,841,511
	Fixed interest rates	<b>1,700,029</b>	1,841,511
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Three and < six months	Time deposits:	<b>1,058,122</b>	1,432,651
	Fixed interest rates	<b>1,058,122</b>	1,432,651
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Six months and < one year	Time deposits:	<b>1,954,446</b>	3,103,623
	Fixed interest rates	<b>1,954,446</b>	3,103,623
	Floating interest rates	—	—
	Other time deposits	—	—
≥ One and < two years	Time deposits:	<b>212,019</b>	375,947
	Fixed interest rates	<b>212,019</b>	375,947
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Two and < three years	Time deposits:	<b>144,115</b>	202,968
	Fixed interest rates	<b>144,115</b>	202,968
	Floating interest rates	—	—
	Other time deposits	—	—
Three years or more	Time deposits:	<b>156,917</b>	139,631
	Fixed interest rates	<b>156,917</b>	139,631
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits:	<b>¥5,225,651</b>	¥7,096,334
	Fixed interest rates	<b>5,225,651</b>	7,096,334
	Floating interest rates	—	—
	Other time deposits	—	—

## TEIGAKU Deposits by Time to Maturity

As of March 31

	Millions of yen	
	2020	2019
Less than one year	<b>¥13,458,783</b>	¥ 5,961,360
≥ One and < three years	<b>14,660,631</b>	23,132,184
≥ Three and < five years	<b>13,087,421</b>	12,072,277
≥ Five and < seven years	<b>15,125,567</b>	13,067,231
Seven years or more	<b>33,740,852</b>	39,597,802
<b>Total</b>	<b>¥90,073,256</b>	¥93,830,855

Note: Figures have been calculated based on the assumption that all deposits will be held to maturity.

# LOANS

## Loans by Category

As of March 31

### Ending Balances

	Millions of yen	
	2020	2019
Domestic:		
Loans on notes	—	—
Loans on deeds	¥4,798,252	¥5,134,073
Overdrafts	144,159	158,351
Notes discounted	—	—
Subtotal	4,942,412	5,292,424
Overseas:		
Loans on notes	—	—
Loans on deeds	19,321	5,000
Overdrafts	—	—
Notes discounted	—	—
Subtotal	19,321	5,000
Total	¥4,961,733	¥5,297,424

Fiscal years ended March 31

### Average Balances

	Millions of yen	
	2020	2019
Domestic:		
Loans on notes	—	—
Loans on deeds	¥4,779,394	¥5,933,288
Overdrafts	167,817	157,708
Notes discounted	—	—
Subtotal	4,947,212	6,090,997
Overseas:		
Loans on notes	—	—
Loans on deeds	10,868	5,000
Overdrafts	—	—
Notes discounted	—	—
Subtotal	10,868	5,000
Total	¥4,958,081	¥6,095,997

## Loans by Time to Maturity

As of March 31

		Millions of yen	
		2020	2019
One year or less	Loans:	¥2,995,519	¥3,444,046
	Floating interest rates	/	/
	Fixed interest rates	/	/
> One and ≤ three years	Loans:	350,112	271,092
	Floating interest rates	79,873	43,894
	Fixed interest rates	270,239	227,198
> Three and ≤ five years	Loans:	351,031	408,215
	Floating interest rates	24,893	79,772
	Fixed interest rates	326,138	328,442
> Five and ≤ seven years	Loans:	298,005	384,785
	Floating interest rates	8,079	218
	Fixed interest rates	289,925	384,566
> Seven and ≤ ten years	Loans:	373,169	257,843
	Floating interest rates	2,250	400
	Fixed interest rates	370,919	257,443
Over ten years	Loans:	593,894	531,440
	Floating interest rates	11,784	10,934
	Fixed interest rates	582,110	520,506
No designated term	Loans:	—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
<b>Total</b>		<b>¥4,961,733</b>	<b>¥5,297,424</b>

Notes: 1. Loans to the Organization for Postal Savings, Postal Life Insurance and Post Office Network include loans for which the interest rate is revised (5 years/10 years), and those loans are recorded as fixed interest rate loans.

2. Loans to depositors (maturities of two years or less) are treated as having time to maturity of one year or less.

3. Loans with maturities of one year or less have not been categorized into fixed and floating interest rate instruments.

## Loans and Acceptances and Guarantees by Type of Collateral

As of March 31

### Loans by Type of Collateral

		Millions of yen	
		2020	2019
Securities		¥ 11	¥ 25
Receivables		139,357	152,896
Merchandise		—	—
Real estate		—	—
Others		—	—
Subtotal		139,369	152,921
Guarantees		30,646	31,795
Credit		4,791,717	5,112,707
<b>Total</b>		<b>¥4,961,733</b>	<b>¥5,297,424</b>

## Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2020	2019
Securities	—	—
Receivables	—	—
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guarantees	—	—
Credit	—	—
Total	—	—

## Loans by Purpose

As of March 31

	Millions of yen			
	2020		2019	
	Amount	%	Amount	%
Funds for capital investment	¥ 8,089	0.16	¥ 9,605	0.18
Funds for working capital	4,953,644	99.83	5,287,819	99.81
Total	¥4,961,733	100.00	¥5,297,424	100.00

## Loans by Industry

As of March 31

	Millions of yen			
	2020		2019	
	Amount	%	Amount	%
Domestic (excluding Japan Offshore Market accounts)	¥4,942,412	100.00	¥5,292,424	100.00
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	43,524	0.88	15,519	0.29
Utilities, information/communications, and transportation	108,064	2.18	115,517	2.18
Wholesale and retail	31,155	0.63	37,289	0.70
Finance and insurance	773,676	15.65	930,873	17.58
Construction and real estate	12,983	0.26	2,000	0.03
Services and goods rental/leasing	48,437	0.98	37,695	0.71
Central and local governments	3,782,410	76.52	3,997,677	75.53
Others	142,159	2.87	155,851	2.94
Overseas and Japan Offshore Market accounts	19,321	100.00	5,000	100.00
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	19,321	100.00	5,000	100.00
Total	¥4,961,733		¥5,297,424	

Notes: 1. "Domestic" represents loans to residents of Japan, while "overseas" represents loans to non-residents of Japan.

2. Of "Finance and insurance," loans to the Organization for Postal Savings, Postal Life Insurance and Post Office Network, were ¥439,734 million and ¥640,676 million as of March 31, 2020 and March 31, 2019, respectively.

## Loans to Individuals and Small and Medium-size Enterprises

As of March 31

	Millions of yen	
	2020	2019
Total loans (A)	¥4,961,733	¥5,297,424
Loans to individuals and small and medium-size enterprises (B)	144,159	158,351
(B)/(A)	2.90%	2.98%

Note: Individuals and small and medium-size enterprises are defined as companies with capital of ¥300 million or less (¥100 million or less for wholesalers and ¥50 million or less for retail and service businesses) or companies with full-time employees of 300 workers or less (100 employees or less for wholesalers, 50 employees or less for retail businesses, and 100 employees or less for service businesses) and individuals.

## Risk-Monitored Loans

As of March 31

	Millions of yen	
	2020	2019
Loans to bankrupt borrowers	—	—
Non-accrual delinquent loans	¥0	—
Past-due loans for three months or more	—	—
Restructured loans	—	—
Total	¥0	—

## Problem Assets Disclosed under the Financial Reconstruction Act

As of March 31

	Millions of yen	
	2020	2019
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—
Loans to borrowers classified as doubtful	¥ 0	—
Loans requiring close monitoring	—	—
Subtotal (A)	0	—
Loans to borrowers classified as normal	5,111,652	¥5,381,637
Total (B)	¥5,111,652	¥5,381,637
Non-performing loan ratio (A)/(B)	0.00%	—%

## Reserve for Possible Loan Losses

Fiscal years ended March 31

	Millions of yen			
	2020			
	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
General reserve for possible loan losses	¥243	¥ 258	¥243	¥ 258
Specific reserve for possible loan losses	715	772	715	772
Total	¥958	¥1,031	¥958	¥1,031

	Millions of yen			
	2019			
	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
General reserve for possible loan losses	¥ 278	¥243	¥ 278	¥243
Specific reserve for possible loan losses	787	715	787	715
Total	¥1,066	¥958	¥1,066	¥958

## SECURITIES

### Average Balance by Type of Trading Book Securities

Fiscal years ended March 31

	Millions of yen	
	2020	2019
Trading book Japanese government bonds	¥37	¥51
Trading book Japanese local government bonds	—	—
Trading book government guaranteed bonds	—	—
Other trading book securities	—	—
<b>Total</b>	<b>¥37</b>	<b>¥51</b>

### Securities by Time to Maturity

As of March 31

	Millions of yen							Total
	2020							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	
Japanese government bonds	¥ 7,636,911	¥22,475,554	¥ 6,803,085	¥3,429,578	¥ 4,623,542	¥ 8,667,440	¥ —	¥ 53,636,113
Japanese local government bonds	1,194,461	1,496,337	1,550,490	699,463	1,045,596	—	—	5,986,349
Japanese corporate bonds	2,101,227	2,041,449	2,181,224	978,859	1,321,931	1,290,534	—	9,915,227
Other securities:	3,711,361	4,959,530	5,329,022	1,727,217	3,418,188	6,303,530	40,211,918	65,660,770
Foreign bonds	3,711,361	4,959,131	5,326,856	1,710,567	2,599,359	5,399,594	—	23,706,870
Investment trusts	—	—	—	—	788,417	903,936	40,208,662	41,901,017
Foreign stocks	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥14,643,961</b>	<b>¥30,972,871</b>	<b>¥15,863,822</b>	<b>¥6,835,119</b>	<b>¥10,409,259</b>	<b>¥16,261,505</b>	<b>¥40,211,918</b>	<b>¥135,198,460</b>

	Millions of yen							Total
	2019							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	
Japanese government bonds	¥ 8,100,666	¥16,284,203	¥20,457,747	¥1,411,953	¥ 5,915,561	¥ 6,186,436	¥ —	¥ 58,356,567
Japanese local government bonds	1,048,002	1,940,668	1,521,962	827,045	1,020,240	26,045	—	6,383,964
Japanese corporate bonds	1,948,135	2,315,399	2,129,737	851,165	1,339,112	1,212,306	—	9,795,855
Other securities:	3,282,518	6,329,515	4,599,530	2,493,606	2,694,217	3,865,597	39,333,889	62,598,876
Foreign bonds	3,282,518	6,329,334	4,597,940	2,488,926	2,236,743	3,100,064	—	22,035,528
Investment trusts	—	—	—	—	433,805	765,532	39,234,603	40,433,941
Foreign stocks	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥14,379,322</b>	<b>¥26,869,785</b>	<b>¥28,708,978</b>	<b>¥5,583,771</b>	<b>¥10,969,131</b>	<b>¥11,290,385</b>	<b>¥39,333,889</b>	<b>¥137,135,264</b>

## Balance by Type of Securities

As of March 31

### Ending Balances

	Millions of yen	
	2020	2019
<b>Domestic:</b>		
Japanese government bonds	¥ 53,636,113	¥ 58,356,567
Japanese local government bonds	5,986,349	6,383,964
Japanese corporate bonds	9,915,227	9,795,855
Other securities	1,691,087	880,544
Subtotal	71,228,777	75,416,933
<b>Overseas:</b>		
Other securities:	63,969,682	61,718,331
Foreign bonds	23,706,870	22,035,528
Investment trusts	40,261,287	39,681,051
Foreign stocks	—	—
Subtotal	63,969,682	61,718,331
<b>Total</b>	<b>¥135,198,460</b>	<b>¥137,135,264</b>

Fiscal years ended March 31

### Average Balances

	Millions of yen	
	2020	2019
<b>Domestic:</b>		
Japanese government bonds	¥ 54,702,343	¥ 60,310,753
Japanese local government bonds	6,210,203	6,488,893
Japanese corporate bonds	9,867,257	10,310,788
Other securities	1,062,868	593,239
Subtotal	71,842,673	77,703,674
<b>Overseas:</b>		
Other securities:	63,239,883	59,005,163
Foreign bonds	22,339,153	21,255,468
Investment trusts	40,898,861	37,749,672
Foreign stocks	—	—
Subtotal	63,239,883	59,005,163
<b>Total</b>	<b>¥135,082,556</b>	<b>¥136,708,838</b>

## Asset Management Status

As of March 31

	Millions of yen			
	2020		2019	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	¥ 51,485,414	24.80	¥ 50,674,248	24.60
Call loans	1,040,000	0.50	400,000	0.19
Receivables under resale agreements	9,731,897	4.68	8,368,139	4.06
Receivables under securities borrowing transactions	112,491	0.05	—	—
Money held in trust	4,549,736	2.19	3,990,780	1.93
Securities:	135,198,460	65.14	137,135,264	66.57
Japanese government bonds	53,636,113	25.84	58,356,567	28.33
Japanese local government bonds	5,986,349	2.88	6,383,964	3.09
Japanese corporate bonds	9,915,227	4.77	9,795,855	4.75
Other securities:	65,660,770	31.64	62,598,876	30.39
Foreign bonds	23,706,870	11.42	22,035,528	10.69
Investment trusts	41,901,017	20.19	40,433,941	19.63
Loans	4,961,733	2.39	5,297,424	2.57
Others	439,879	0.21	109,366	0.05
<b>Total</b>	<b>¥207,519,613</b>	<b>100.00</b>	<b>¥205,975,224</b>	<b>100.00</b>

Notes: 1. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.  
2. Investment trusts are mainly invested in foreign bonds.

## Foreign Bonds

As of March 31

### Foreign Bonds by Currency

	Millions of yen			
	2020		2019	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 5,086,432	21.45	¥ 5,224,319	23.70
U.S. dollar	15,461,957	65.22	13,629,801	61.85
Euro	2,661,777	11.22	2,798,015	12.69
Others	496,702	2.09	383,391	1.73
<b>Total</b>	<b>¥23,706,870</b>	<b>100.00</b>	<b>¥22,035,528</b>	<b>100.00</b>

## Money Held in Trust

As of March 31

### Assets by Type

	Millions of yen			
	2020		2019	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥1,859,682	43.07	¥2,141,784	55.14
Domestic bonds	1,419,008	32.86	1,195,685	30.78
Others	1,038,853	24.06	546,152	14.06
<b>Total</b>	<b>¥4,317,545</b>	<b>100.00</b>	<b>¥3,883,622</b>	<b>100.00</b>

### Assets by Currency

	Millions of yen			
	2020		2019	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥4,311,553	99.86	¥3,857,829	99.33
U.S. dollar	5,991	0.13	25,792	0.66
Euro	0	0.00	0	0.00
Others	—	—	—	—
<b>Total</b>	<b>¥4,317,545</b>	<b>100.00</b>	<b>¥3,883,622</b>	<b>100.00</b>

## Securitized Product Exposure

As of March 31, 2020 and March 31, 2019, the Bank held the following securitized products and other products.

The Bank's holdings of securitized products and others were limited to securitization exposure as a final investor. The Bank has never originated any securitized products and thus has no exposure as an originator and no exposure to special purpose entities (SPEs) that should be consolidated.

As of March 31

### 1. Securitized Products

Region		Millions of yen		
		Acquisition cost	Net unrealized gains (losses)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBs)	¥1,359,705	¥ 28,113	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	—	—	—
	Other securitized products	173,975	(205)	AAA
	Commercial mortgage-backed securities (CMBs)	—	—	—
	Collateralized debt obligations (CDO)	1,018	37	AAA
	Subtotal	1,534,699	27,945	
Overseas	Residential mortgage-backed securities (RMBs)	38,546	(9,390)	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	1,767,354	(121,935)	AAA
	Subtotal	1,805,900	(131,326)	
<b>Total</b>		<b>¥3,340,600</b>	<b>¥(103,380)</b>	

Region		Millions of yen		
		Acquisition cost	Net unrealized gains (losses)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBs)	¥1,305,786	¥ 40,178	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	—	—	—
	Other securitized products	165,503	11	AAA
	Commercial mortgage-backed securities (CMBs)	—	—	—
	Collateralized debt obligations (CDO)	1,247	52	AAA
	Subtotal	1,472,537	40,241	
Overseas	Residential mortgage-backed securities (RMBs)	99,786	(11,624)	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	1,178,783	(6,083)	AAA
	Subtotal	1,278,569	(17,708)	
<b>Total</b>	<b>¥2,751,107</b>	<b>¥ 22,533</b>		

- Notes: 1. The underlying assets provided are only those from multiple debtors comprising securitized products.  
2. No hedging activities against credit risks were made.  
3. The above table does not include securitized products that might be included in investment trusts. The same shall apply hereinafter.  
4. Other securitized products are securitized products of which major underlying assets are auto loan claims.  
5. Excludes U.S. GSE related items.  
6. The overseas collateralized loan obligations (CLO) are only those in the United States.  
7. Net unrealized gains (losses) include the effects of fluctuations in foreign currency exchange rates.

## 2. Structured Investment Vehicles (SIVs)

There were no investments in SIVs.

## 3. Leveraged Loans

There were no outstanding leveraged loans.

## 4. Monoline Insurer-related Products

There were no monoline insurer-related exposures. In addition, the Bank has not extended credit to or executed credit derivatives transactions with any monoline insurers.

# RATIOS

## Net Ordinary Income to Assets and Equity

Fiscal years ended March 31

	%	
	2020	2019
Net ordinary income to assets	<b>0.18</b>	0.17
Net ordinary income to equity	<b>3.72</b>	3.27

- Notes: 1. Net ordinary income to assets = net ordinary income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100  
2. Net ordinary income to equity = net ordinary income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

## Net Income to Assets and Equity

Fiscal years ended March 31

	%	
	2020	2019
Net income to assets (ROA)	<b>0.13</b>	0.12
Net income to equity (ROE)	<b>2.68</b>	2.32

- Notes: 1. ROA = net income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100  
2. ROE = net income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

## Overhead Ratio and Expense-to-Deposit Ratio

Fiscal years ended March 31

	%	
	2020	2019
Overhead ratio (OHR)	<b>77.63</b>	78.18
Expense-to-deposit ratio	<b>0.55</b>	0.57

Notes: 1. OHR = [general and administrative expenses (excluding non-recurring expenses) / gross operating profit] x 100

2. Expense-to-deposit ratio = [general and administrative expenses (excluding non-recurring expenses) / average deposit balances] x 100

## Interest Rate Spread

Fiscal years ended March 31

	%	
	2020	2019
<b>Domestic:</b>		
Yield on interest-earning assets	<b>0.31</b>	0.38
Interest rate on interest-bearing liabilities	<b>0.04</b>	0.06
Interest rate spread	<b>0.27</b>	0.32
<b>Overseas:</b>		
Yield on interest-earning assets	<b>1.24</b>	1.18
Interest rate on interest-bearing liabilities	<b>0.57</b>	0.55
Interest rate spread	<b>0.67</b>	0.63
<b>Total:</b>		
Yield on interest-earning assets	<b>0.64</b>	0.67
Interest rate on interest-bearing liabilities	<b>0.17</b>	0.17
Interest rate spread	<b>0.47</b>	0.49

## Loan-Deposit Ratio

As of March 31

	Millions of yen		
	2020		
	Domestic	Overseas	Total
Loans (A)	¥ 4,942,412	¥19,321	¥ 4,961,733
Deposits (B)	183,004,733	—	183,004,733
Loan-deposit ratio (A)/(B)	2.70%	—	2.71%
Loan-deposit ratio (average for the fiscal year)	2.70%	—	2.70%

	Millions of yen		
	2019		
	Domestic	Overseas	Total
Loans (A)	¥ 5,292,424	¥5,000	¥ 5,297,424
Deposits (B)	180,999,134	—	180,999,134
Loan-deposit ratio (A)/(B)	2.92%	—	2.92%
Loan-deposit ratio (average for the fiscal year)	3.36%	—	3.36%

## Security-Deposit Ratio

As of March 31

	Millions of yen		
	2020		
	Domestic	Overseas	Total
Securities (A)	¥ 71,228,777	¥63,969,682	¥135,198,460
Deposits (B)	183,004,733	—	183,004,733
Security-deposit ratio (A)/(B)	38.92%	—	73.87%
Security-deposit ratio (average for the fiscal year)	39.25%	—	73.80%

	Millions of yen		
	2019		
	Domestic	Overseas	Total
Securities (A)	¥ 75,416,933	¥61,718,331	¥137,135,264
Deposits (B)	180,999,134	—	180,999,134
Security-deposit ratio (A)/(B)	41.66%	—	75.76%
Security-deposit ratio (average for the fiscal year)	42.87%	—	75.43%

## OTHERS

### Over-the-Counter Sales of Japanese Government Bonds

Fiscal years ended March 31

	Millions of yen	
	2020	2019
Long-term bonds	¥ 0	¥ 3,135
Medium-term bonds	0	0
Bonds for individuals	61,417	57,935
Total	¥61,417	¥61,070

### Domestic Exchanges

Fiscal years ended March 31

#### Remittances

	Millions of yen			
	2020		2019	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	35,061	¥30,808,610	32,056	¥25,972,954
Received	120,207	29,582,167	104,762	25,026,847

Note: All remittances are transferred through the Interbank Data Telecommunication System ("Zengin Net").

### Foreign Exchanges

Fiscal years ended March 31

	Millions of U.S. dollars			
	2020		2019	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	155	\$557	216	\$888
Received	53	168	59	166

Note: Foreign exchanges represent the total of international remittances.

## CAPITAL POSITION

### Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

		Millions of yen	
		2020	2019
Core Capital: instruments and reserves	Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥8,964,975	¥8,879,358
	of which: Capital and capital surplus	7,796,285	7,796,285
	of which: Retained earnings	2,563,307	2,477,736
	of which: Treasury stock (deduction)	1,300,881	1,300,926
	of which: Cash dividends to be paid (deduction)	93,736	93,736
	of which: Other than above	—	—
	Subscription rights to common stock or preferred stock mandatorily converted into common stock	—	—
	Reserves included in Core Capital: instruments and reserves	258	243
	of which: General reserve for possible loan losses	258	243
	of which: Eligible reserve	—	—
	Eligible non-cumulative perpetual preferred stock subject to phase out arrangement included in Core Capital: instruments and reserves	—	—
	Eligible capital instrument subject to phase out arrangement included in Core Capital: instruments and reserves	—	—
	Capital instrument issued through the measures for strengthening capital by public institutions included in Core Capital: instruments and reserves	—	—
	45% of revaluation reserve for land included in Core Capital: instruments and reserves	—	—
	<b>Core Capital: instruments and reserves (A)</b>	<b>8,965,233</b>	<b>8,879,601</b>
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	32,685	35,383
	of which: Goodwill (net of related tax liability)	—	—
	of which: Other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	32,685	35,383
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
	Shortfall of eligible provisions to expected losses	—	—
	Securitization gain on sale	—	—
	Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
	Prepaid pension costs	—	—
	Investments in own shares (excluding those reported in the Net Assets section)	—	4
	Reciprocal cross-holdings in capital instruments issued by Other Financial Institutions for raising capital that are held by the Holding Company Group	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ('Other Financial Institutions'), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ('Non-significant Investment') (amount above the 10% threshold)	—	—	

		Millions of yen	
		2020	2019
Core Capital: regulatory adjustments	Amount exceeding the 10% threshold on specified items	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
	of which: Mortgage servicing rights	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—
	Amount exceeding the 15% threshold on specified items	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
	of which: Mortgage servicing rights	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—
	Core Capital: regulatory adjustments (B)	<b>32,685</b>	35,388
Total capital	Total capital (A)–(B)=(C)	<b>¥ 8,932,547</b>	¥ 8,844,213
Risk-weighted assets	Credit risk-weighted assets	<b>¥54,775,080</b>	¥53,334,010
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	—	—
	of which: Other Financial Institutions Exposures	—	—
	of which: Other than the above	—	—
	Market risk equivalent / 8%	—	—
	Operational risk equivalent / 8%	<b>2,632,196</b>	2,699,551
	Credit risk-weighted assets adjustments	—	—
	Operational risk equivalent adjustments	—	—
	Total amount of risk-weighted assets (D)	<b>¥57,407,276</b>	¥56,033,562
Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	<b>15.55</b>	15.78

Note: The Bank has had its assessment method for capital adequacy ratios audited by the independent audit corporation KPMG AZSA LLC in accordance with the Japanese Institute of Certified Public Accountants (JICPA) Business Practice Guideline 4465: "Business practices concerning agreed upon procedures for capital adequacy ratio assessments." Of note, a portion of the independent audit did not involve auditing of consolidated financial statements or internal control auditing of financial reports. The audit corporation reported to the Bank the results of its external audit based on procedures within the scope of its agreement with the Bank and did not issue an audit opinion or conclusion regarding the capital adequacy ratio or the capital adequacy assessment process of the internal control system.

## INSTRUMENTS FOR RAISING CAPITAL

### Outline of Instruments for Raising Capital

The Bank raises capital through the issuance of common shares. Current issuance is as follows:

- Total issued and outstanding common shares: 4,500,000,000 shares (including 750,524,955 shares of treasury stock)

## ASSESSMENT OF CAPITAL ADEQUACY

When creating or making major revisions to its business plans, the Bank performs stress tests based on multiple forward-looking scenarios. From the standpoint of business sustainability, the Bank assesses the adequacy of its own capital with regard to regulatory capital based on capital adequacy regulations and economic capital (risk capital) based on internal risk assessment methods. The findings are then reported to the ALM Committee, the Executive Committee and the Board of Directors.

For the capital adequacy assessment based on regulatory capital, the Bank ensures regulatory levels are satisfied based on calculations of regulatory ratios, including the capital adequacy ratio.

For the capital adequacy assessment based on economic capital, the Bank monitors capital adequacy by comparing the actual amount of risk taken to risk capital, which is allocated according to credit risk, market risk and operational risk when business plans are created, within the framework for integrated risk management. The Bank assesses the quality of its capital by examining the proportion of total stockholders' equity attributable to common stock to its risk capital.

The results of these assessments are reported periodically to the ALM Committee, the Executive Committee and the Board of Directors for the purpose of enhancing capital adequacy.

### Total Required Capital (Non-Consolidated)

As of March 31

	Millions of yen	
	2020	2019
(1) Capital requirement for credit risk:	¥ 480,277	¥ 448,283
Portfolios applying the standardized approach	460,443	432,611
Securitization exposures	17,062	12,622
CVA risk equivalent	2,716	3,014
Central Counterparty-related exposures	55	35
(2) Capital requirement for credit risk of exposures relating to funds	1,710,725	1,685,076
(3) Capital requirement for market risk:	—	—
(4) Capital requirement for operational risk:	105,287	107,982
The basic indicator approach	105,287	107,982
Total capital requirements (1) + (2) + (3) + (4)	¥2,296,291	¥2,241,342

Notes: 1. Capital requirement for credit risk: Credit risk-weighted assets x 4%

2. Capital requirement for operational risk: (Operational risk equivalent / 8%) x 4%

3. Total capital requirements: Denominator of capital adequacy ratio x 4%

## Exposure Amount of Capital Required for Credit Risk (On-Balance Sheet Items)

As of March 31

Item	(Reference) Risk weight (%)	Millions of yen	
		2020	2019
1 Cash	0	¥ 0	¥ 0
2 Japanese government and the Bank of Japan	0	0	0
3 Foreign central governments and central banks	0-100	8,061	7,387
4 Bank for International Settlements, etc.	0	—	—
5 Non-central government public sector entities	0	0	0
6 Foreign non-central government public sector entities	20-100	9,295	4,902
7 Multilateral Development Banks	0-100	0	0
8 Japan Finance Organization for Municipalities	10-20	2,734	3,027
9 Japanese government agencies	10-20	11,598	12,306
10 Three regional public corporations	20	540	492
11 Financial institutions and Type I Financial Instruments Business Operators	20-100	79,004	74,681
12 Corporates	20-100	246,067	234,412
13 Small and medium-size enterprises and individuals	75	—	—
14 Mortgage loans	35	—	—
15 Project finance (acquisition of real estate)	100	0	80
16 Past-due loans (three months or more)	50-150	0	768
17 Unsettled bills	20	—	—
18 Loans guaranteed by Credit Guarantee Corporation, etc.	0-10	—	—
19 Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	10	—	—
20 Investments in capital and others	100-1250	123	3,765
Exposure to investments, etc.	100	123	3,765
Exposure to critical investments	1250	—	—
21 Other than above	100-250	49,700	51,397
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, other TLAC liabilities, etc.	250	30,167	30,950
Exposures to specific items that are not included in adjustment items	250	11,090	11,667
Exposures to other TLAC liabilities of banking and financial entities that are outside the scope of regulatory consolidation and where the bank owns more than 10% of the issued share capital	250	—	—
Exposures to other TLAC liabilities of banking and financial entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued share capital (amount above 5% threshold)	150	—	—
Exposures other than those listed above	100	8,442	8,779
22 Securitization transactions	—	17,021	12,572
Compliant with STC criteria	—	—	—
Non-compliant with STC criteria	—	17,021	12,572
23 Re-securitization transactions	—	40	49
24 Exposures relating to funds	—	1,710,725	1,685,076
25 Amounts included in risk-weighted assets due to transitional arrangements	—	—	—
26 Amounts related to exposures to fund procurement methods of other financial institutions, and such like, where such amounts are not included in risk-weighted assets due to transitional arrangements	—	—	—
<b>Total</b>	—	<b>¥2,134,913</b>	<b>¥2,090,921</b>

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. Risk weightings are stipulated in the FSA Bank Capital Adequacy Ratio Notification.

## Amount of Capital Required for Credit Risk (Off-Balance Sheet Items)

As of March 31

Item	(Reference) CCF (%)	Millions of yen	
		2020	2019
1 Commitments cancelable automatically or unconditionally at any time	0	¥ 0	¥ 0
2 Commitments with an original maturity up to one year	20	80	—
3 Short-term trade contingent liabilities	20	—	—
4 Contingent liabilities arising from specific transactions	50	—	—
(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	—	—
5 NIFs and RUFs	50	—	—
6 Commitments with an original maturity over one year	50	277	182
7 Contingent liabilities arising from directly substituted credit	100	16,588	16,848
(Secured with loan guarantees)	100	—	—
(Secured with securities)	100	—	—
(Secured with acceptances)	100	—	—
(Guaranteed principal amounts held in some trusts outside of the transitional arrangements)	100	—	—
(Credit derivative protection provided)	100	13,048	13,508
8 Sale and repurchase agreements and asset sales with recourse (after deductions)	—	—	—
Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	—	—
Deductions	—	—	—
9 Forward asset purchases, forward deposits and partly-paid shares and securities	100	—	—
10 Securities lending, cash or securities collateral provision, or repo-style transactions	100	34,562	20,347
11 Derivative transactions and long-settlement transactions	—	1,810	2,009
Current exposure method	—	1,810	2,009
Derivative transactions	—	1,810	2,009
(1) Foreign exchange-related transactions	—	4,931	3,809
(2) Interest rate-related transactions	—	489	866
(3) Gold-related transactions	—	—	—
(4) Equity-related transactions	—	22	4
(5) Precious metal-related transactions (excluding gold)	—	—	—
(6) Other commodity-related transactions	—	—	—
(7) Credit derivative transactions (counterparty risk)	—	18	18
Write-off of credit equivalent amounts under master netting agreement (deduction)	—	3,650	2,690
Long-settlement transactions	—	—	0
12 Unsettled transactions	—	—	—
13 Unexecuted portion within eligible servicer cash advance credit facility related to securitization exposure	0–100	—	—
14 Off-balance sheet securitization exposure other than the above	—	—	—
Total	—	¥53,318	¥39,389

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. CCFs are stipulated in the FSA Bank Capital Adequacy Ratio Notification.

## CREDIT RISK

### Outline of Credit Risk Management Policies and Procedures

See Pages 82–84 (Credit Risk Management).

#### Qualified Rating Agencies Used

##### • Qualified Rating Agencies Used to Determine Risk Weights

In determining risk weights, the Bank utilizes the credit ratings of four rating agencies, specifically, Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and S&P Global Ratings (S&P), in addition to the Organisation for Economic Co-operation and Development (OECD).

##### • Qualified Rating Agencies Used to Determine Risk Weight by Exposure Category

The Bank uses the following qualified rating agencies for each of the following risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with the Capital Adequacy Notification.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

## Exposure by Region, Industry, and Remaining Period

As of March 31

### Exposure by Region and Industry, Past Due Loans for Three Months or More

		Millions of yen					Past due loans for three months or more
		2020					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 83,526	¥ 1,296,401	—	¥ 515	¥ 1,380,444	—
	Utilities, information/communications, and transportation	921,456	3,337,277	—	14,742	4,273,476	—
	Wholesale and retail	137,269	295,899	—	4	433,174	—
	Finance and insurance	77,940,298 (456,254)	5,391,130	¥123,123	31,571	83,486,124 (456,254)	—
	Construction and real estate	61,984	230,202	—	7	292,194	—
	Services and goods rental/leasing	53,221	694,494	—	74,359	822,076	—
	Central and local governments	4,223,723	59,538,487	—	18,068	63,780,279	—
	Others	508,406	5	—	428,556	936,968	¥1
	Total	83,929,888 (456,254)	70,783,899	123,123	567,827	155,404,739 (456,254)	1
Foreign	Sovereigns	7,000	8,445,572	—	404	8,452,976	—
	Financial institutions	3,534,939	5,544,952	180,265	1,217	9,261,375	—
	Others	3,388,233	5,599,690	9,548	177	8,997,649	—
	Total	6,930,173	19,590,215	189,813	1,798	26,712,001	—
Investment trust, etc.	4,215,973	44,906,802	—	—	49,122,776	—	
Grand total	¥95,076,035 (456,254)	¥135,280,917	¥312,937	¥569,626	¥231,239,516 (456,254)	¥1	

		Millions of yen					
		2019					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 61,519	¥ 1,184,565	—	¥ 11	¥ 1,246,096	—
	Utilities, information/communications, and transportation	925,919	3,547,498	—	9,315	4,482,732	—
	Wholesale and retail	163,402	277,831	—	3	441,237	—
	Finance and insurance	73,232,139 (689,612)	5,305,435	¥169,475	17,050	78,724,101 (689,612)	—
	Construction and real estate	41,000	237,237	—	15	278,253	—
	Services and goods rental/leasing	39,123	583,065	—	106,022	728,211	—
	Central and local governments	4,641,227	64,330,767	—	33,045	69,005,041	—
	Others	430,134	74,306	—	405,441	909,883	0
	Total	79,534,466 (689,612)	75,540,708	169,475	570,906	155,815,557 (689,612)	0
Foreign	Sovereigns	5,000	6,921,852	—	413	6,927,266	—
	Financial institutions	2,228,649	5,830,240	190,157	91	8,249,140	—
	Others	2,142,632	5,426,581	2,664	69	7,571,947	—
	Total	4,376,281	18,178,674	192,822	575	22,748,354	—
Investment trust, etc.	3,292,691	41,166,535	—	—	44,459,227	—	
Grand total	¥87,203,440 (689,612)	¥134,885,918	¥362,298	¥571,481	¥223,023,139 (689,612)	0	

Notes: 1. Loans, deposits, etc., comprise loans, due from banks, call loans, and off-balance sheet assets other than derivatives. Figures in parentheses are collateral provided (off-balance sheet assets) to the Organization for Postal Savings, Postal Life Insurance and Post Office Network noted elsewhere.

2. Securities include government bonds, local government bonds, corporate bonds, etc.

3. Derivatives comprise such instruments as interest rate swaps and foreign exchange forward contracts, etc.

4. "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.

5. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

6. Investment trusts and other funds are recorded in investment trust, etc.

As of March 31

## Exposure by Time to Maturity

		Millions of yen				
		2020				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
One year or less	¥35,105,152 (456,254)	¥ 14,711,280	¥ 27,323	¥ 56,880	¥ 49,900,636 (456,254)	
> One and ≤ three years	876,957	30,850,788	108,318	—	31,836,063	
> Three and ≤ five years	675,821	15,592,948	126,174	38	16,394,983	
> Five and ≤ seven years	485,879	6,724,258	44,872	—	7,255,010	
> Seven and ≤ ten years	373,256	9,245,149	6,247	—	9,624,653	
Over ten years	594,552	13,246,434	—	—	13,840,986	
No designated term	52,748,441	3,255	—	512,707	53,264,405	
Investment trust, etc.	4,215,973	44,906,802	—	—	49,122,776	
Total	¥95,076,035 (456,254)	¥135,280,917	¥312,937	¥569,626	¥231,239,516 (456,254)	

Time to maturity	Millions of yen				
	2019				
	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥29,031,932 (689,612)	¥ 14,284,657	¥ 9,376	¥ 52,014	¥ 43,377,979 (689,612)
> One and ≤ three years	721,304	26,478,058	30,161	—	27,229,524
> Three and ≤ five years	872,048	28,302,943	200,406	40	29,375,438
> Five and ≤ seven years	683,267	5,399,932	122,354	—	6,205,553
> Seven and ≤ ten years	321,770	10,170,551	—	—	10,492,322
Over ten years	532,170	8,989,077	—	—	9,521,248
No designated term	51,748,254	94,161	—	519,427	52,361,843
Investment trust, etc.	3,292,691	41,166,535	—	—	44,459,227
<b>Total</b>	<b>¥87,203,440 (689,612)</b>	<b>¥134,885,918</b>	<b>¥362,298</b>	<b>¥571,481</b>	<b>¥223,023,139 (689,612)</b>

- Notes: 1. Loans, deposits, etc., comprise loans, due from banks, call loans, and off-balance sheet assets other than derivatives. Figures in parentheses are collateral provided (off-balance sheet assets) to the Organization for Postal Savings, Postal Life Insurance and Post Office Network noted elsewhere.  
2. Securities include government bonds, local government bonds, corporate bonds, etc.  
3. Derivatives comprise such instruments as interest rate swaps and foreign exchange forward contracts, etc.  
4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.  
5. Investment trusts and other funds are recorded in investment trust, etc.

## Loan Write-Offs by Industry and Counterparty

There were no write-offs of loans during the fiscal years ended March 31, 2020 and 2019.

## Year-End Balances and Changes During the Fiscal Year of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses, and Loan Loss Reserve for Specific Overseas Countries

### By Region

#### Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2020	2019
General reserve for possible loan losses	¥137	¥124
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

#### Changes during the fiscal year

Fiscal years ended March 31

	Millions of yen	
	2020	2019
General reserve for possible loan losses	¥13	¥(14)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

- Notes: 1. Breakdowns by domestic and overseas amounts are not disclosed as the Bank only booked general reserve for possible loan losses.  
2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 157.

## By Industry

### Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2020	2019
General reserve for possible loan losses	¥137	¥124
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

### Changes during the fiscal year

Fiscal years ended March 31

	Millions of yen	
	2020	2019
General reserve for possible loan losses	¥13	¥(14)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Notes: 1. Breakdowns by industry are not disclosed as the Bank only booked general reserve for possible loan losses.

2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 157.

## Exposure by Risk Weight Classification

As of March 31

Risk weight	Millions of yen			
	2020		2019	
	Rated	Not rated	Rated	Not rated
0%	¥117,216,572	¥33,610,785	¥120,230,800	¥30,287,411
2%	—	68,913	—	43,817
4%	—	—	—	—
10%	424,600	3,583,187	575,247	3,833,456
20%	17,898,048	67,549	14,834,203	61,593
35%	—	—	—	—
50%	5,608,469	—	5,268,843	—
75%	—	—	—	—
100%	2,058,669	1,623,622	1,873,469	1,808,634
150%	—	—	10,669	—
250%	121,068	291,505	54,545	370,832
1250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	49,122,776	—	44,459,227
<b>Total</b>	<b>¥143,327,429</b>	<b>¥88,368,341</b>	<b>¥142,847,778</b>	<b>¥80,864,973</b>

Notes: 1. Ratings are limited to those rated by qualified rating agencies.

2. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after application of the credit risk mitigation methods.

3. The portion of exposure from assets qualified for credit risk mitigation methods is allocated to risk weight categories after the application of credit risk mitigation methods.

4. Assets subject to transitional arrangements are recorded under the risk-weighted classification where transitional arrangements do not apply.

5. Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 87.06% as of March 31, 2020 (compared with 94.75% as of March 31, 2019).

## CREDIT RISK MITIGATION METHODS

### Outline of Risk Management Policies and Procedures

The Bank applies "credit risk mitigation methods" as stipulated in the Capital Adequacy Notification in calculating its capital adequacy ratio. Credit risk mitigation methods involve taking into consideration the benefits of collateral and guarantees in the calculation of its capital adequacy ratio and can be appropriately applied to eligible financial collateral, the netting of loans against the Bank's self deposits, and guarantees and credit derivatives.

- **Categories of Eligible Financial Collateral**

Cash, self deposits, and securities are the only types of eligible financial collateral used by the Bank.

- **Outline of Policies and Procedures for the Assessment and Management of Collateral**

The Bank uses "the Simple Method" stipulated in the Capital Adequacy Notification when applying eligible financial collateral.

The Bank has established internal procedures that enable timely sales or acquisition of eligible financial collateral based on collateral contracts, including terms and conditions, signed prior to any of these transactions.

- **Outline of Policies and Procedures for the Netting of Loans and Self Deposits and the Types of Transactions and Scope for which Netting Can Be Applied**

The Bank regards the netted amount of loans and self deposits as the amount of exposure used in the calculation of the capital adequacy ratio in accordance with special clauses on netting in banking transaction agreements, etc.

Currently, there are no such transactions.

- **Explanation of the Credit Worthiness and Types of Guarantors and Major Counterparties in Credit Derivative Transactions**

The major guarantors used by the Bank are the national government, etc., whose risk weights are lower than debts. In addition, credit derivative clients are financial institutions whose risk weights are lower than reference debt.

- **Outline of Policies and Procedures for Legally Applying Close-Out Netting Contracts for Derivative Transactions as well as Repurchase Transaction Agreements and the Type and Scope of Transactions to which this Method Is Applied**

The Bank refers to the regulations of each country regarding the transactions and takes into account the effect of derivative transactions such as interest rate swaps and currency swaps for which close-out netting agreements have been concluded.

- **Information on the Concentration of Credit and Market Risk Arising from the Application of Credit Risk Mitigation Methods**

The principal credit risk mitigation method utilizes eligible financial collateral secured by cash and self deposits. As a result, there is no concentration of credit and market risk.

### Exposure After Applying Credit Risk Mitigation

As of March 31

Item	Millions of yen			
	2020		2019	
	Exposure	%	Exposure	%
Eligible financial collateral	¥25,948,543	91.89	¥22,224,031	89.54
Guarantees and credit derivatives	2,288,216	8.10	2,595,329	10.45
<b>Total</b>	<b>¥28,236,760</b>	<b>100.00</b>	<b>¥24,819,360</b>	<b>100.00</b>

Notes: 1. The categories of eligible financial collateral used by the Bank include cash, self deposits, and securities.

2. The major guarantor used by the Bank is the central government, etc. The use of these guarantors lowers risk weights more than non-guaranteed debts.

3. Credit derivative clients are financial institutions whose risk weights are lower than reference debt.

4. Excludes exposure in funds included in investment trusts, etc.

## DERIVATIVE TRANSACTIONS AND LONG-SETTLEMENT TRANSACTIONS

### Outline of Risk Management Policies and Procedures

#### • Policy on Collateral Security and Reserve Calculation and Impact of Additional Collateral Demanded on Deterioration of Credit Quality

The Bank signs, as necessary, credit risk mitigation contracts with counterparties in derivative transactions that involve regular transfers of collateral determined in accordance with replacement costs and the likes. Under these contracts, the Bank must provide the counterparty with additional collateral in the event of deterioration in the Bank's credit quality. However, the impact of the additional collateral is deemed to be minor.

The Bank's policy on reserve calculation related to derivative transactions is the same as that applied to ordinary on-balance sheet assets.

#### • Policy on Credit Limit and Risk Capital Allocation Method

The Bank assigns debtors credit ratings to all derivative transaction counterparties. The Bank sets credit limits based on these ratings and conducts regular monitoring on a daily basis to ensure appropriate management of credit risk. The Bank uses the Current Exposure Method in determining the amount of credit outstanding as part of its credit risk management. This method takes into consideration the market value and price fluctuation risk of derivative transactions.

The risk capital allocations for derivative transactions are the same as other transactions.

### Credit Equivalent Amounts of Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen	
	2020	2019
Gross replacement costs	¥331,310	¥294,707
Gross add-on amounts	538,649	496,539
Gross credit equivalents	869,959	791,247
Currency-related transactions	669,742	533,654
Interest rate-related transactions	195,115	254,631
Equity-related transactions	2,844	554
Credit derivative transactions (counterparty risk)	2,255	2,359
Long-settlement transactions	—	46
Write-off of credit equivalent amount due to netting (deduction)	557,022	428,902
Net credit equivalents	312,937	362,344
Collateral held	89,147	150,084
Marketable securities	67,909	127,588
Cash	21,237	22,496
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	312,937	362,344

Notes: 1. Credit equivalent amounts are calculated using the Current Exposure Method.

2. Derivative transactions and long-settlement transactions are recorded only for transactions that require the calculation of credit equivalent amounts.

3. Does not include exposure in funds that include investment trusts, etc.

4. Gross replacement costs for which reconstruction costs were less than zero are not included.

5. Credit risk mitigation benefits due to collateral are considered in risk weighting, but not in credit equivalent amounts.

6. Write-off of credit equivalent amount due to netting is equal to the figure obtained by subtracting credit equivalent amounts prior to credit risk mitigation with collateral from the sum of aggregated gross replacement costs and total gross add-ons.

## Notional Principal Amounts of Credit Derivatives

As of March 31

	Millions of yen	
	2020	2019
Total return swap	¥46,253	¥116,293
Protection purchased	46,253	116,293
Used for credit risk mitigation	1,613	73,284
Protection provided	—	—

Note: Excludes credit derivatives included in investment trusts and other funds.

## SECURITIZATION EXPOSURE

### Outline of Risk Management Policies and Risk Characteristics

The Bank is exposed to risk associated with securitization as an investor. For the acquisition of securitized instruments, the Bank examines closely the quality of underlying assets, the structure of senior and subordinate rights, and the details of the securitization scheme. In view of these procedures, it assigns ratings to debtors as with other marketable securities and makes acquisitions within the credit limits. Following acquisition, the Bank monitors deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development. Furthermore, credit risks related to securitized instruments are included in the calculation of the credit risk amount, while related interest rate risks are included in the calculation of the market risk amount. In addition, the Bank also recognizes market liquidity risk. The status of market risk, credit risk and market liquidity risk is reported to the Executive Committee and other organizational bodies.

Re-securitization exposure is the same as securitization exposure.

### Outline of Establishment and Operation of System Prescribed by Section 1-1 to 1-4, Article 248 of the Public Notices on Capital Adequacy Ratios of Financial Instruments Business Operators

With regards to securitization exposure, the Bank has a system for ascertaining information relating to comprehensive risk characteristics and performance on a timely basis. Specifically, in addition to regularly reviewing ratings assigned to debtors, the Bank reviews ratings assigned to debtors when necessary if there has been deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development that affects a debtor rating.

Re-securitization exposure is the same as securitization exposure.

### Policy on Using Securitization Transactions as a Credit Risk Mitigation Method

The Bank does not use securitization transactions as a credit risk mitigation method.

### Method Applied for the Calculation of Credit Risk-Weighted Asset Amounts with Regard to Securitization Exposure

The Bank applies the External Rating-Based Approach and the Standardized Approach stipulated in the Capital Adequacy Notification to calculate credit risk-weighted asset amounts related to securitization exposure.

## Type of Securitization Conduit Used for Any Securitization Transactions Related to Third-party Assets Using Securitization Conduits and whether Securitization Exposures Related to such Securitization Transactions Are Held

The Bank does not conduct securitization transactions related to third-party assets using securitization conduits.

## Subsidiaries, Affiliates and Other such Entities Holding Securitization Exposures Related to Securitization Transactions Conducted by the Bank

There are no subsidiaries, affiliates or other such entities holding securitization exposures related to securitization transactions conducted by the Bank.

## Qualified Rating Agencies Used to Determine Risk Weight by Type of Securitization Exposure

The Bank adopts the credit ratings of the following qualified rating agencies to calculate credit risk-weighted asset amounts related to securitization exposure.

- Rating and Investment Information, Inc. (R&I)
- Japan Credit Rating Agency, Ltd. (JCR)
- Moody's Investors Service, Inc. (Moody's)
- S&P Global Ratings (S&P)

## Investments in Securitization Transactions

### Securitization Exposure and Breakdown by Type of Main Underlying Assets (Excludes Re-Securitization Exposure)

As of March 31

Type of underlying assets	Millions of yen	
	2020	2019
Mortgage loans	¥ 183,748	¥ 242,895
Auto loans	144,032	135,952
Leases	2,687	2,023
Accounts receivable	27,260	27,533
Corporate loans	1,780,161	1,188,309
Others	—	—
Total	¥2,137,890	¥1,596,713

Notes: 1. There are no off-balance sheet transactions.

2. Excludes securitization exposure included in investment trust, etc.

## Re-Securitization Exposure and Breakdown by Type of Main Underlying Assets

As of March 31

Type of underlying assets	Millions of yen	
	2020	2019
Mortgage loans	¥1,018	¥1,247
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥1,018</b>	<b>¥1,247</b>

Notes: 1. There are no off-balance sheet transactions.

2. Excludes re-securitization exposure included in investment trust, etc.

## Balance by Risk Weight of Securitization Exposure and Amount of Capital Requirements (Excluding Re-Securitization Exposure)

As of March 31

Risk weight	Millions of yen			
	2020		2019	
	Balance	Capital requirements	Balance	Capital requirements
≥15% and ≤20%	¥2,137,890	¥17,021	¥1,596,713	¥12,572
>20% and ≤45%	—	—	—	—
>45% and ≤70%	—	—	—	—
>70% and ≤140%	—	—	—	—
>140% and ≤225%	—	—	—	—
>225% and ≤420%	—	—	—	—
>420% and <1250%	—	—	—	—
1250%	—	—	—	—
<b>Total</b>	<b>¥2,137,890</b>	<b>¥17,021</b>	<b>¥1,596,713</b>	<b>¥12,572</b>

Notes: 1. There are no off-balance sheet transactions.

2. Excludes securitization exposure included in investment trust, etc.

3. Capital requirements are calculated using the following formula: Credit risk-weighted assets x 4%

## Balance by Risk Weight of Re-Securitization Exposure and Amount of Capital Requirements

As of March 31

Risk weight	Millions of yen			
	2020		2019	
	Balance	Capital requirements	Balance	Capital requirements
100%	¥1,018	¥40	¥1,247	¥49
>100% and <1250%	—	—	—	—
1250%	—	—	—	—
<b>Total</b>	<b>¥1,018</b>	<b>¥40</b>	<b>¥1,247</b>	<b>¥49</b>

Notes: 1. There are no off-balance sheet transactions.

2. Excludes re-securitization exposure included in investment trust, etc.

3. There were no credit risk mitigation methods applied to re-securitization exposure.

4. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

## Accounting Policy for Securitization Transactions

The Bank complies with the “Accounting Standard for Financial Instruments” (ASBJ statement No. 10), etc., in recognizing the initiation and extinguishment of financial assets and liabilities in securitization transactions and assessing and booking these assets and liabilities.

## OPERATIONAL RISK

### Outline of Policies and Procedures for Risk Management

See Page 85 (Operational Risk Management).

### Method Applied for the Calculation of Operational Risk Equivalent Amounts

The Bank adopts the Basic Indicator Approach stipulated in the Capital Adequacy Notification to calculate operational risk equivalent amounts based on capital adequacy regulations.

## INVESTMENTS, STOCKS, AND OTHER EXPOSURES

### Outline of Risk Management Policies and Procedures

Among exposures to investments, stocks, and other exposures, the Bank manages risk for available-for-sale securities in accordance with Market Risk Management/Market Liquidity Risk Management (Pages 80–81) and Credit Risk Management (Pages 82–84).

#### 1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2020		2019	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc. (Note 1)	—	—	¥96,904	¥96,904
Exposure to investments or equities, etc., other than above (Note 2)	¥3,076	/	1,932	/
Total	¥3,076	/	¥98,836	/

Notes: 1. The number represents stocks with fair value.

2. The number represents stocks that are deemed to be extremely difficult to determine a fair value.

3. The figures in the above table do not include exposure to instruments embedded in investment trust, etc. The same applies below.

#### 2. Gains (Losses) on Sale or Write-Off of Investment or Equity Exposures

Fiscal years ended March 31

	Millions of yen	
	2020	2019
Gains (Losses):	¥6,275	¥(8,084)
Gains	8,143	177
Losses	1,868	1,527
Write-offs	—	6,734

Note: The gains and losses in the above table are recorded as gains (losses) on sales of stock, etc., on the statements of income.

### 3. Unrealized Gains (Losses) Recognized on the Balance Sheets But Not on the Statements of Income

As of March 31

	Millions of yen	
	2020	2019
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	—	¥5,124

Note: The number represents unrealized gains (losses) on stocks with fair value.

### 4. Unrealized Gains (Losses) Not Recognized on the Balance Sheets or the Statements of Income

As of March 31

	Millions of yen	
	2020	2019
Unrealized gains (losses) not recognized on the balance sheets or the statements of income	—	—

Note: The number represents unrealized gains (losses) on stocks of subsidiaries and affiliates with fair value.

## EXPOSURES RELATING TO FUNDS

As of March 31

Calculation method	Millions of yen			
	2020		2019	
	Balance	Capital requirements	Balance	Capital requirements
Exposures where fund components are identifiable (look-through approach) (note 3)	¥49,005,661	¥1,669,873	¥44,060,148	¥1,525,830
Exposures not included in any categories above where investment mandates of funds are known (mandate-based approach) (note 4)	—	—	—	—
Exposures not included in any categories above where there is a high probability of the weighted average risk weight applied to fund components being less than 250% (note 5)	37,859	3,785	94,185	9,418
Exposures not included in any categories above where there is a high probability of the weighted average risk weight applied to fund components being less than 400% (note 5)	7,534	1,205	7,704	1,232
Exposures not included in any categories above (Fall-back approach) (note 6)	71,721	35,860	297,190	148,595
<b>Total</b>	<b>¥49,122,776</b>	<b>¥1,710,725</b>	<b>¥44,459,227</b>	<b>¥1,685,076</b>

Notes: 1. The amount of required capital is the amount arrived at after multiplying credit risk assets by 4%.

2. Risk weight is specified in the Equity Ratio Notification.

3. As stipulated in Article 76 5-2 of the FSA Bank Capital Adequacy Ratio Notification.

4. As stipulated in Article 76 5-6 of the FSA Bank Capital Adequacy Ratio Notification.

5. As stipulated in Article 76 5-9 of the FSA Bank Capital Adequacy Ratio Notification.

6. As stipulated in Article 76 5-10 of the FSA Bank Capital Adequacy Ratio Notification.

## INTEREST RATE RISK

### Risk Management Policy and Procedure Overview

Interest rate risk in the banking book (IRRBB) refers to the risk of losses caused by interest rate fluctuations which affect the value of assets and liabilities (including off balance sheet items) and the earnings generated from assets and liabilities. As part of IRRBB monitoring, the Bank measures interest rate sensitivity (10BPV) on a daily basis, as well as  $\Delta$ EVE (measuring amount of decreased economic value of equity, based on interest rate shocks listed in disclosed notifications) and  $\Delta$ NII (measuring amount of decreased net interest income for the measurement period in response to an interest rate shock (12-month period from the calculation base date), based on interest rate shocks listed in disclosed notifications) both on a monthly basis. Both of them are used to evaluate the adequacy of equity capital. As to overall market risks including interest rate risks, the Bank measures market VaR (Value at Risk) on a daily basis. This monitoring verifies that market VaR is within the capital allocation amount range (refer to "Market Risk Management/Market Liquidity Risk Management" on Pages 80–81 for details).

### Overview of Interest Rate Risk Calculation Methods

IRRBB is measured by estimating future cash flows mainly from assets and liabilities.

### Interest Rate Risk Status

As of March 31

IRRBB1: Interest Rate Risk

		Millions of yen			
		$\Delta$ EVE		$\Delta$ NII	
Item No.		A	B	C	D
		2020	2019	2020	2019
1	Upward parallel shift	¥ 100,586	¥ 538,125	¥175,255	
2	Downward parallel shift	2,420,055	2,446,896	(46,356)	
3	Steepener				
4	Flattener				
5	Short-term interest rate up				
6	Short-term interest rate down				
7	Maximum	2,420,055	2,446,896	175,255	
		E		F	
		2020		2019	
8	Equity capital	¥8,932,547		¥8,844,213	

Notes: 1. Decreased economic value and interest income are shown as positive values.

2. Key assumptions for  $\Delta$ EVE and  $\Delta$ NII calculations are as follows:

- The Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"). The average repricing maturities of liquid deposits are 3.7 years. The longest repricing maturities are 10 years.
- Interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow using an internal model.
- The Bank aggregates  $\Delta$ EVE of JPY, USD, EUR, GBP, and AUD taking into account the correlation between each different currency. On the other hand, the Bank adds only positive  $\Delta$ EVE of the other currencies.  $\Delta$ NII is the simple sum of  $\Delta$ NII measured for each currency.
- Spread levels are included in discount rates and cash flows.

3. The Bank confirms that it has secured sufficient capital to counter measured interest rate risk.

4. According to the "Comprehensive Guidelines for Supervision of Major Banks, etc." prescribed by the Financial Services Agency (FSA), "Because JAPAN POST BANK is obligated legally to hold a portion of its assets in JGBs and other "safe" assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the materiality test."

# Corporate Data

## JAPAN POST GROUP Charter of Corporate Conduct

### (1) Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

### (2) Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

### (3) Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

### (4) Create value

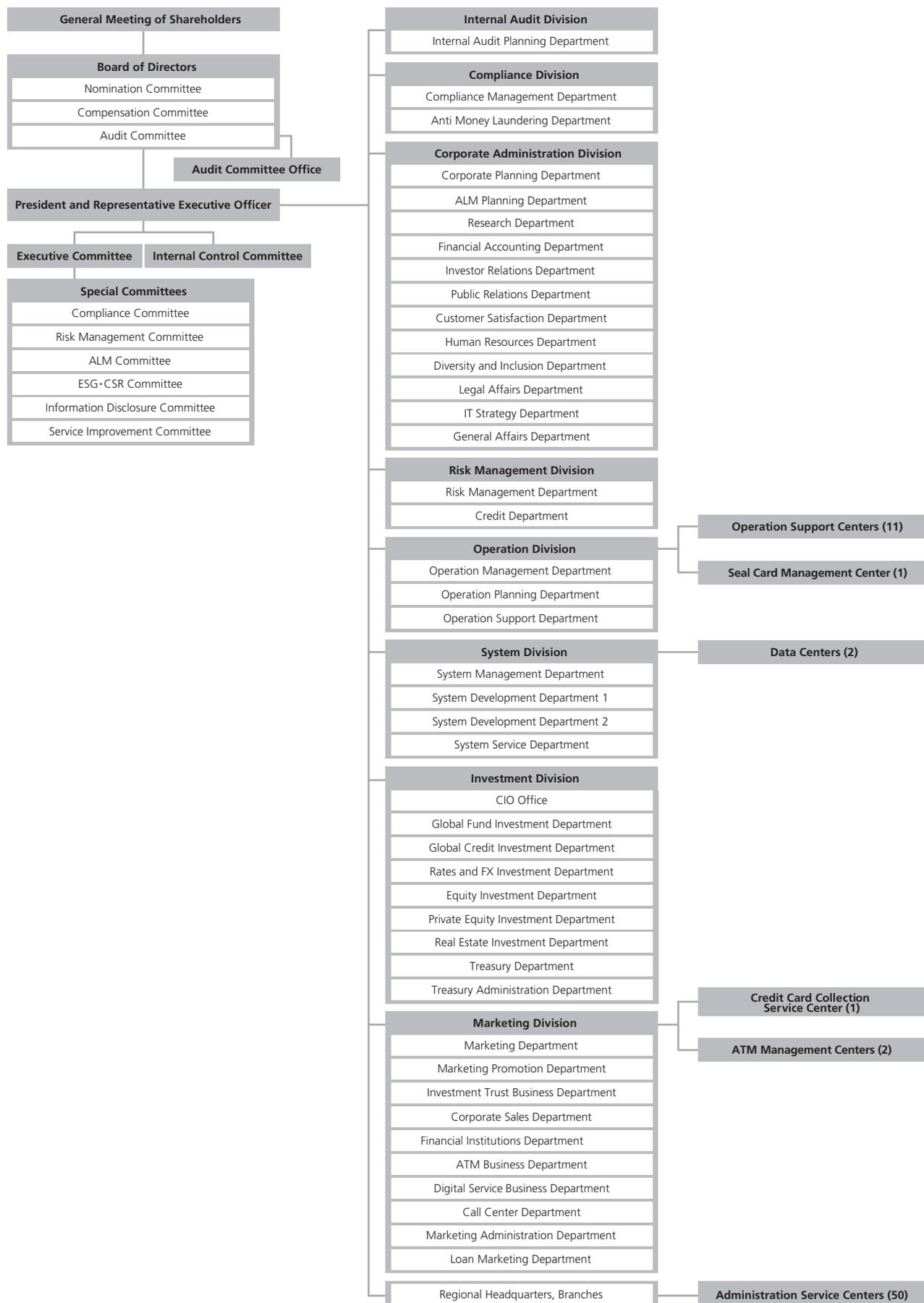
- We will create new convenience for customers and provide them with high-quality services.
- We will create stable value by providing universal services in our three core businesses through the JAPAN POST GROUP network.
- We will utilize teamwork and create corporate value for the JAPAN POST GROUP by promoting mutual understanding and cooperation among employees and encouraging each and every employee to fulfill their roles and responsibilities.

### (5) Be a source of change

- We will apply technological innovation and continually make innovative changes internally to provide stable services to our customers.
- We exercise our creativity from a broad viewpoint and lofty perspective to promote the Group's development.
- We aggressively take on the challenge of conducting global business activities.

# Organization

(As of July 1, 2020)



# Corporate Information

(As of March 31, 2020)

## Corporate Profile

<b>Corporate name</b>	JAPAN POST BANK Co., Ltd.	<b>Total assets</b>	¥210,905 billion
<b>Date of establishment</b>	September 1, 2006	<b>Total net assets</b>	¥8,987 billion
<b>Representative Executive Officer</b>	Norito Ikeda	<b>Capital</b>	¥3,500 billion
<b>Address of head office</b>	2-3-1 Otemachi, Chiyoda-ku, Tokyo 100-8793, Japan	<b>Number of employees*</b>	12,477
		<b>Main offices</b>	Head office, Branches 234

\* The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies.  
The figure does not include part-time employees (including those who have converted to indefinite-term employment based on the system for conversion to indefinite-term employment [associate employees]).

## Number of Shares

<b>Total number of authorized shares:</b>	18,000,000 thousand shares
<b>Total number of outstanding shares:</b>	3,749,475 thousand shares (excluding 750,524 thousand shares of treasury stock)
<b>Total number of shareholders:</b>	439,763

Note: The treasury stock does not include the Bank's shares held by the stock benefit trust (682 thousand shares).

## Major Shareholders

	Name of shareholder	Number of shares held (Thousands of Shares)	Shareholding ratio (%)
1	Japan Post Holdings Co., Ltd.	3,337,032	88.99
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	33,597	0.89
3	Japan Trustee Services Bank, Ltd. (Trust Account)	18,066	0.48
4	STATE STREET BANK WEST CLIENT - TREATY 505234	13,428	0.35
5	Japan Trustee Services Bank, Ltd. (Trust Account 9)	11,710	0.31
6	Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,384	0.30
7	Japan Post Bank Employee Shareholding Association	9,237	0.24
8	STATE STREET BANK AND TRUST COMPANY 505103	6,094	0.16
9	Japan Trustee Services Bank, Ltd. (Trust Account 1)	5,823	0.15
10	Japan Trustee Services Bank, Ltd. (Trust Account 2)	5,279	0.14

Notes:

- The Bank holds 750,524 thousand shares (the ratio of the number of shares held against the total number of shares issued is 16.67%) of treasury stock, which are not included in the above list of major shareholders. The treasury stock does not include the Bank's shares held by the stock benefit trust (682 thousand shares).
- The shareholding ratio has been calculated excluding treasury stock (750,524 thousand shares) and has been rounded down to the second decimal place.

## Affiliated companies

	Name/ Location	Issued capital (millions of yen)	Main business	Date of Establishment	Holding as percentage(%)
Consolidated subsidiaries	<b>SDP CENTER Co., Ltd.</b> Triton Square Tower X 43F, 8-10, Harumi 1-chome, Chuo-ku, Tokyo	2,000	Administrative agency services including loans for individuals	May 28, 1980	100.00
	<b>Japan Post Investment Corporation</b> 3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo	750	Investment management operations of securities	February 9, 2018	50.00 [25.00]
	Two other companies	–	–	–	–
Equity-method affiliates	<b>ATM Japan Business Service, Ltd.</b> 30-5, Hamamatsucho 1-chome, Minato-ku, Tokyo	100	Management of ATMs, for example cash loading and withdrawal	August 30, 2012	35.00
	<b>JP Asset Management Co., Ltd.</b> 5-11, Nihonbashi-honcho 1-chome, Chuo-ku, Tokyo	500	Investment management business, type II financial instruments business	August 18, 2015	45.00

Notes:

- Data in parentheses in the "Holdings as percentage" column represent the ownership percentage (superscription) of persons who are found to exercise their voting rights in accordance with the wishes of the first Company, etc., due to a close relationship therewith in terms of investment, personnel, funds, technology, transactions or other matters or persons who have agreed to exercise their voting rights in accordance with the wishes of the first Company, etc.
- JAPAN POST BANK acquired common stock issued by SDP CENTER Co., Ltd. on December 19, 2019, making it a wholly-owned subsidiary of JAPAN POST BANK from the fiscal year ended March 31, 2020.
- SDP CENTER Co., Ltd. changed its trade name to Japan Post Bank Loan Center Co., Ltd. on April 1, 2020.

## Website

Corporate overview of the Bank together with press releases, financial, IR and other information.

 [https://www.jp-bank.japanpost.jp/en\\_index.html](https://www.jp-bank.japanpost.jp/en_index.html)



**JAPAN POST BANK Co., Ltd.**

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