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## **Items Not Included in the Written Documents Stating the Matters to Be Provided Electronically**

- 1) Systems to Ensure the Appropriate Conduct of Operations
- 2) Notes to Non-Consolidated Financial Statements
- 3) Notes to Consolidated Financial Statements

For the 17th Fiscal Year (from April 1, 2022 to March 31, 2023)



The above items are not included in the written documents delivered to shareholders who have requested the delivery of them (the written documents stating the matters to be provided electronically), in accordance with laws and regulations and Article 15 of the Articles of Incorporation of Japan Post Bank.

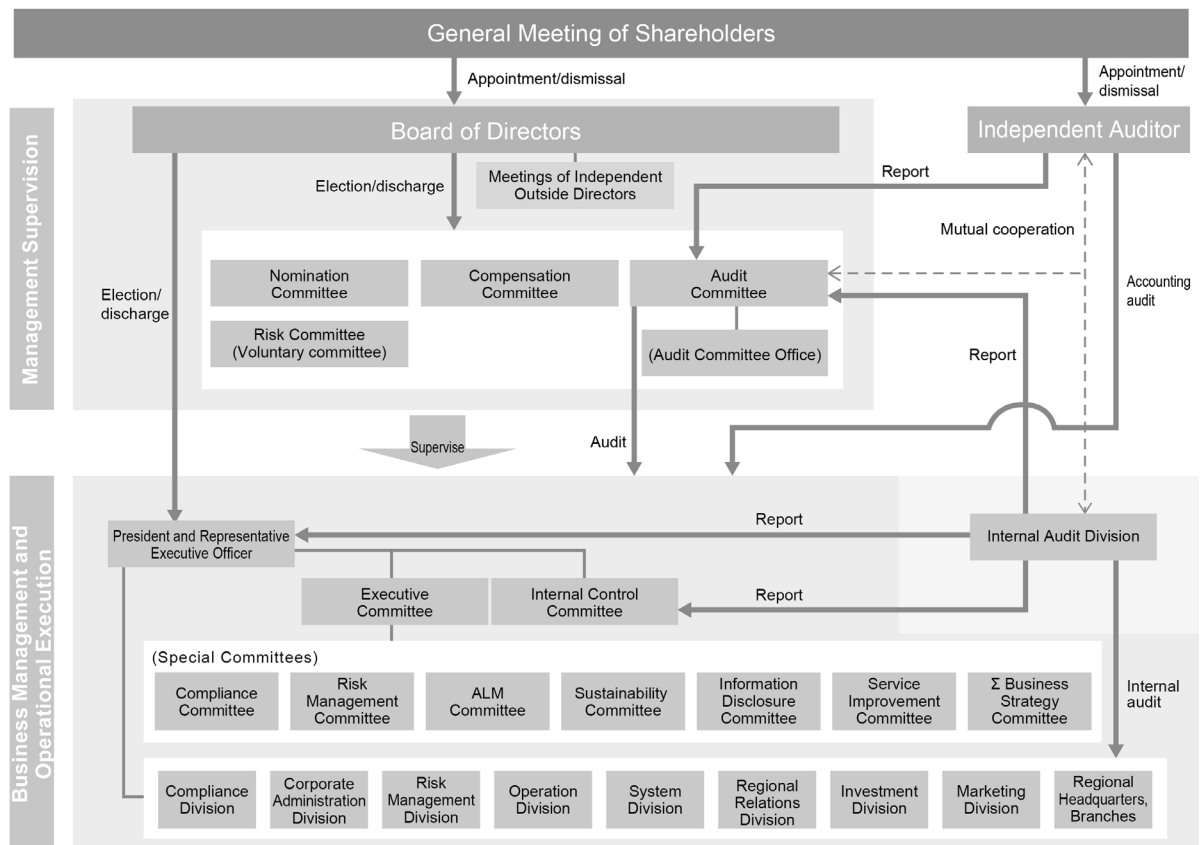
## **Systems to Ensure the Appropriate Conduct of Operations**

[Basic Stance on Corporate Governance]

With a view to its sustainable growth along with improvement of its corporate value over the medium and long terms, Japan Post Bank establishes 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.

## Corporate Governance System (Outline)



[Establishment of Systems to Ensure the Appropriate Conduct of Operations]

With regard to system to ensure the appropriate conduct of operations subject to a resolution of the Board of Directors of a corporation adopting a committee system such as the Nomination Committee in accordance with Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act and Article 112, Paragraph 1 and 2 of the Ordinance for the Enforcement of the Companies Act, Japan Post Bank has established by a resolution of the Board of Directors “Basic Policies for the Internal Control System.”

The details for the fiscal year ended March 31, 2023 are as follows.

(1) System for Ensuring That the Execution of Duties by Executive Officers and Employees Complies with Laws and Regulations and Our Articles of Incorporation

We are required to do the following:

- a. Establish basic policies regarding the management, such as our management philosophy and management plans, to ensure that our Executive Officers and employees are thoroughly informed of and will comply with laws and regulations in all areas of our business activities. Furthermore, we must establish rules regarding compliance and maintain a compliance framework.
- b. Periodically hold meetings of the Internal Control Committee, comprised of Executive Officers appointed by the President and Representative Executive Officer, to discuss the most important matters relating to internal controls, such as compliance with laws and regulations.
- c. Promote compliance through means such as establishing a department that manages compliance, formulating compliance programs each year as specific plans for ensuring compliance and periodically reviewing developments of such programs, and establish the Compliance Committee as an advisory body to the Executive Committee to discuss specific practices and address various issues regarding compliance and to report the results to the Internal Control Committee, the Executive Committee and Audit Committee.
- d. Ensure compliance through (i) formulating a compliance manual which states specific guidelines of the matters with which Executive Officers and employees must comply and the explanations for laws and regulations relating to our corporate activities and (ii) conducting training regarding laws and regulations as well as internal rules with which Executive Officers and employees must comply.
- e. Take measures necessary to guide and manage Japan Post Co., which is our authorized agent, in order to ensure that its compliance system and operational management are sound, through means such as (a) establishing liaison conferences with Japan Post Co., comprised of officers such as the President and Representative Executive Officer, to discuss matters relating to strengthening and enhancing the internal control system with respect to compliance, (b) providing operational instructions and conducting training to promote compliance and (c) monitoring the operations of Japan Post Co.
- f. With respect to anti-social forces that pose a threat to the social order and sound corporate activities, (a) establish our corporate policy on the relationship with them through “rules regarding anti-social forces” and other internal rules and manuals and (b) avoid involvement at all times with illegal and anti-social activities through close cooperation with external specialists, such as the police, to cut any ties and prevent any interaction with any anti-social forces.
- g. Mindful that there exists the possibility that the products and services that we provide could be used fraudulently, we have stipulated our policies and regulations and have in place systems to guard against money laundering and the financing of terrorism.
- h. Formulate rules regarding internal control over financial reporting and maintain a framework for valuation and reporting of internal controls over financial reporting, to ensure the appropriateness of the documents regarding our financial, accounting and other information.

- i. Create a whistle-blowing rule for reporting violations or suspected violations of laws and regulations or internal rules, establish contact offices for whistle-blowing, inside and outside the company, and ensure that our Executive Officers and employees are thoroughly informed of it.
  - j. To ensure thorough customer-oriented business operations, we have in place systems to provide high-quality, customer-oriented financial services through, for example, the establishment of basic policies, the formulation of promotion plans, and the conducting of training for executives and employees.
  - k. Establish our internal audit system by formulating a basic policy regarding internal audits and other rules. Further, an Internal Audit Division, which is independent from the divisions that it audits, conducts effective internal audit regarding the appropriateness of general corporate activities including compliance with laws and regulations and reports the status of internal audit and the internal audit system to the Internal Control Committee, the Executive Committee and Audit Committee.
- (2) System for Storing and Managing Information Relating to the Execution of the Duties of Our Executive Officers
- We establish rules relating to document management that clarify the system and methods for storing and managing information relating to the execution of the duties of Executive Officers, such as minutes of the Executive Committee and circulated draft approvals. In addition, we allow the Audit Committee and Internal Audit Division to inspect or copy requested documents.
- (3) Rules and System Related to the Risk Management of Losses
- a. We establish the Risk Committee as an advisory body to the Board of Directors and the Risk Management Committee as an advisory body to the Executive Committee. In addition, we manage risks by establishing risk management rules and by creating a risk management system.
  - b. We establish a department to supervise risk management and to understand, analyze and manage risks, as well as to review and revise our corrective actions and risk-handling methods. In addition, the Risk Management Committee deliberates on matters related to the operational and organizational risk management system and procedures and reports any important issues to the Executive Committee, Risk Committee and Audit Committee.
  - c. We establish a crisis management system and countermeasures against crises, including internal rules for crisis management, so that we can take quick and appropriate action and corrective measures in the event that a risk that could seriously impact our business is actualized.
- (4) System for Ensuring That the Duties of Executive Officers are Executed Effectively
- a. We establish an Executive Committee, comprised of Executive Officers appointed by the President and Representative Executive Officer, that meets regularly and discusses matters to be resolved by the Board of Directors, matters to be resolved by the President and Representative Executive Officer or other matters deemed necessary by the President and Representative Executive Officer. Also, if necessary, a specialized subcommittee is established to act as an advisory body to the Executive Committee.
  - b. By establishing rules relating to organizational structure and professional duties, we clarify the division of duties, administrative authority and responsibilities of Executive Officers in order to increase the efficiency of the execution of their duties.
- (5) System for Ensuring Appropriate Operations among the Japan Post Group
- a. We have entered into the Japan Post Group agreement with Japan Post Holdings, Japan Post

- Co. and Japan Post Insurance, as well as the contract concerning the operation of the Japan Post Group and the memorandum of understanding on rules concerning the operation of the Japan Post Group with Japan Post Holdings, thereby we discuss in advance and report any matters necessary for appropriate and smooth operations.
- b. We establish rules that govern the management of our subsidiaries, and create a system for correctly managing the business operations.
  - c. We establish internal rules that govern intragroup transactions, and engage in these transactions appropriately.
- (6) Matters Regarding Employees that Support the Duties of the Audit Committee  
We establish an Audit Committee Office, which supports the Audit Committee in performing its duties, and is staffed with employees with the requisite knowledge and skills to provide such support.
- (7) Matters Regarding the Independence of Employees that Support the Duties of the Audit Committee from Our Executive Officers  
The hiring, transferring, evaluating and disciplining of employees of the Audit Committee Office must first be approved by the Audit Committee or its member(s) appointed by the Audit Committee.
- (8) Matters Regarding the Ensuring of Effective Instructions to the Employees that Support the Duties of the Audit Committee  
When an employee of the Audit Committee Office is supporting the duties of the Audit Committee, he or she must work only at the direction or order of the Audit Committee.
- (9) System of Reporting to the Audit Committee
- a. Our Executive Officers report to the Audit Committee, on a regular basis, the status of the execution of our Executive Officers' duties.
  - b. Directors (excluding Directors who concurrently serve as the member of the Audit Committee), Executive Officers and employees must promptly report to the members of the Audit Committee any important matters that could have a material impact on the management of our business.
  - c. At the request of the Audit Committee, Executive Officers and employees, along with the Directors, Corporate Auditors and employees of subsidiaries, must report to it the status of the execution of their duties.
  - d. Anyone who reports to the Audit Committee cannot be treated unfavorably because of such reporting.
- (10) Matters Regarding the Procedures Relating to the Pre-payment and Compensation of Costs that Arise during the Execution of the Audit Committee's Duties and Policies Related to Settlement of Other Costs and Liabilities that Arise during the Execution of these Duties  
If a member of the Audit Committee requests payment for costs necessary to execute his or her duties, then such request cannot be denied unless it is found that such cost was not necessary.
- (11) Other Steps to Ensure That the Audit Committee's Audit is Performed Effectively
- a. The President and Representative Executive Officer makes an effort to deepen mutual understanding between him or her and the Audit Committee, by having regular informational sessions with the committee about matters important to management, such as basic

management policies, issues to be addressed, the status of functions of the internal control system and other matters.

- b. In formulating its internal audit plans, the Internal Audit Division obtains both the consent of the Audit Committee and the approval of the President and Representative Executive Officer. Regularly reporting the status and results of internal audits to the Audit Committee, the Internal Audit Division also promptly reports to the members of the Audit Committee any important matters that could have a material impact on the management of our business.
- c. Changes to the executive officer in charge of the Internal Audit Division and the head of the Internal Audit Planning Department shall be made upon obtaining the consent of the Audit Committee or an Audit Committee member selected by the Audit Committee.
- d. The Audit Committee receives an explanation from the independent auditor in advance of the financial audit plan and regularly receives status updates of the financial audits, as well as communicates with the independent auditor as necessary, so that they are aware of all important issues regarding financial audit at all times.
- e. When performing its duties, the Audit Committee strives to coordinate with the audit committee of Japan Post Holdings, such as through regularly exchanging opinions and ideas.

[Implementation of Systems to Ensure the Appropriate Conduct of Operations]

(1) System for Ensuring That the Execution of Duties by Executive Officers and Employees Complies with Laws and Regulations and Our Articles of Incorporation

a. Compliance system

Legal compliance is clearly stated in our management philosophy and management plans and basic rules on compliance are stipulated, in order to convey the importance of compliance, including customer protection structure, to employees through messages from the top management on a regular basis, as well as various trainings, etc. We formulate the compliance program each fiscal year while holding the Compliance Committee to verify the progress and discuss tasks on the subject. In addition, the Internal Control Committee discusses the most important matters relating to internal controls, such as compliance with laws and regulations. In addition, we delegate bank agency services and others to JAPAN POST Co., Ltd., and, in response to the discovery of scandals at post offices such as internal crimes involving a large amount of money, we made progress to strengthen the compliance system of post offices by organizing comprehensive crime prevention measures, such as reviewing crime prevention rules, strengthening checks and balances, and taking other measures to prevent recurrence, for each type of crime and establishing a system to promote them throughout the Japan Post Group.

b. Reporting and responding system for compliance violations, etc.

The duty of reporting along the Compliance Line in case of potential of actual violations of compliance is stipulated, as well as the accessibility of the whistle-blowing contact offices for such reporting, and we thoroughly convey the use of the contact offices through trainings and other measures.

In addition, we have established a Harassment Investigation Committee chaired by an external attorney-at-law to deal with harassment cases in an objective, impartial and fair manner. Furthermore, we made efforts to strengthen our consultation and reporting system and to protect whistleblowers in light of the revision of the Whistleblower Protection Act by accepting reports through the group-wide "One-stop consultation and internal reporting platform" and by accepting reports and conducting investigations by an external specialist team.

c. Measures for combating money laundering and the financing of terrorism

We have established policies and rules while taking into account the possibility that the products and services we provide will be used in money laundering and the financing of terrorism, and work to strengthen the management system by identifying and assessing the risks, reviewing the products and services, and strengthening customer management.

d. Responses to anti-social forces

With respect to anti-social forces, we regularly discuss among concerned departments and collaborate with external specialists, to cut any ties and prevent any interaction with any anti-social forces.

e. Customer-oriented business operations

In order to further instill customer-oriented management philosophy, we continued our efforts for the improvement of our products and services and reform of organizational culture through the Service Improvement Committee, etc.

In addition, we continued to work on this issue, as we have developed a comprehensive complaint/consultation response system for managing complaints/consultations centrally from customers and taking responsibility from their reception to solution.

f. Internal audit system

We conducted auditing activities in accordance with the Basic Policy on Internal Auditing and others to verify the execution of management activities and the adequacy and effectiveness of internal control systems, including compliance and risk management, and reported the status and results of internal audits to the Board of Directors, the Audit Committee, and the President



and Representative Executive Officer.

(2) System for Storing and Managing Information Relating to the Execution of the Duties of Our Executive Officers

We established Documentation Management Rules, etc. to clarify the system and methods for the safekeeping, storing and management of documents, while verifying more than once a year the status of management of such documents.

(3) Rules and System Related to the Risk Management of Losses

We formulate Risk Management Practice Policies each fiscal year, and discuss or report important matters related to risk management at/to the Risk Management Committee, etc.

We have the independent Risk Management Division which establishes a system to examine the appropriateness of management plans, etc., from the standpoint of management sustainability. In particular, the Risk Committee, an advisory body to the Board of Directors, was established to discuss risks related to market operations and IT systems, including cyber security, together with outside experts. In addition, we also made efforts to upgrade various types of risk management by holding a subcommittee meeting in which we discuss new products and services and a subcommittee meeting for deepening discussions and sharing of recognition of system risks.

We are committed to further enhancing our risk governance system and to establish a risk appetite framework to achieve both stable profits and financial soundness through appropriate risk taking and risk control.

We made efforts to establish robust security systems in accordance with international standards by steadily implementing various measures for cyber security, including human resource development using external specialists and implementation of action plans which included periodic cyber incident exercises, as well as reviewing action plans based on the results of re-implementation of third-party assessments.

Furthermore, in preparation for the system renewal scheduled for May 2023, we built a company-wide framework with advice from a third-party organization by establishing a company-wide promotion meeting under the direct control of the President and Representative Executive Officer.

While we review the Crisis Management Rules and Business Continuity Plan (BCP) as needed, we organize a training at least once a year in accordance with the Crisis Management Rules and Business Continuity Plan (BCP). In addition, in response to the spread of COVID-19, we make efforts to prevent the spread of the infection to customers and employees and to ensure business continuity.

(4) System for Ensuring That the Duties of Executive Officers are Executed Effectively

We discuss issues such as matters to be resolved by the Board of Directors and scope of authority of the President and Representative Executive Officer at the Executive Committee held weekly, while organizing various specialized subcommittees as advisory bodies to the Executive Committee.

Rules relating to professional duties stipulate that Executive Officers shall supervise the execution of operation of which they are in charge, in accordance with the division of duties. Resolutions of the Board of Directors are required for any changes to the division of duties of Executive Officers that clarifies the responsibilities of Executive Officers.

Furthermore, in our Medium-term Management Plan, we clarified our purpose of “contributing to the development of society and the region” and have committed to “ESG management” that aims to both solve social issues and enhance corporate value. In addition, we promoted this within the company by actively disseminating information to employees through messages

from top management and other means.

(5) System for Ensuring Appropriate Operations among the Japan Post Group

We have entered into the Japan Post Group agreement based on which we discuss in advance and report any matters necessary for appropriate and smooth operations.

With regard to the Group CxO system to strengthen the cross function of Group management by Japan Post Holdings Co., Ltd., we reported to the Board of Directors on the activities of the Group CxOs from the perspective of ensuring independence in the decision-making.

Meanwhile, for management matters of subsidiaries and affiliates required to be approved by Japan Post Bank under the Rules for Managing the Business of Subsidiaries, including the formulation of business plans, convocation of General Meetings of Shareholders and resolutions for proposals, we give approval based on verification of the appropriateness of such matters.

(6) System for Ensuring That the Audit Committee's Audit is Performed Effectively

The Audit Committee receives monthly reports from Executive Officers on the status of business execution in order to ensure effective implementation of audits, while having regular informational sessions with the President and Representative Executive Officer, the Internal Audit Division and the Independent Auditor, respectively, on the matters such as basic management policies and the status of functions of the internal control system.

In particular, we have confirmed that efforts for continuous improvement are being made by organizing comprehensive measures for crime prevention to prevent internal crimes at post offices and establishing a system to promote such measures throughout the Japan Post Group. In addition, in order to enhance independence and objectivity of the Internal Audit Division, the Audit Committee shall provide prior consent for medium-term and annual audit plans and important changes in the Internal Audit Division, as well as review and evaluate the status of the development and operation of the internal audit function.

Furthermore, employees of the Audit Committee Office are to carry out operations by solely following the instructions from the Audit Committee, and expenses required for the duties for the Committee are duly provided for.

## **Notes to Non-Consolidated Financial Statements**

Amounts less than one million yen are rounded down.

Subsidiaries and affiliates are defined based on Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

### **Significant accounting policies**

#### 1. Trading account securities

Trading account securities are stated at fair value.

#### 2. Securities

- (1) 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. Investments in subsidiaries and affiliates are stated at cost determined by the moving-average method. Available-for-sale securities are stated at fair value (cost of securities sold is primarily calculated using the moving-average method). However, shares, etc. that do not have a market price are stated at cost determined by the moving-average method.

Net unrealized gains or 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 as a separate component of net assets.

- (2) For the securities that form part of trust assets in money held in trust, stocks are stated using the same method as 2. (1) above.

Net unrealized gains or losses on money held in trust classified as available-for-sale are stated as a separate component of net assets.

#### 3. Derivatives

Derivatives are stated at fair value.

#### 4. Fixed assets

##### (1) Tangible fixed assets

Depreciation of tangible fixed assets is computed using 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.

##### (2) Intangible fixed assets

The amortization of intangible fixed assets is computed using 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).

## 5. Reserves

### (1) 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, April 14, 2022), 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.

### (2) Reserve for bonuses

The reserve for bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.

### (3) Reserve for employees' retirement benefits

The reserve for employees' retirement benefits, which is provided for future payments to employees, is recorded in the amount deemed accrued based on the projected benefit obligation as of March 31, 2023. The method of attributing projected benefit obligation to the periods ending on or before March 31, 2023 is 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 year after they are incurred.

### (4) 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.

### (5) 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.

### (6) Reserve for reimbursement of deposits

The reserve for reimbursement of deposits, which is provided for depositors' 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.

## 6. Revenue recognition

The Bank has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020). The Bank recognizes revenue at the amount expected to be received in exchange for the promised goods or services when the control of its goods or services is transferred to customers.

## 7. Foreign currency transactions

Foreign currency denominated assets and liabilities of the Bank are translated into Japanese yen principally at the exchange rates in effect at the balance sheet date.

## 8. Hedge accounting

### (1) Hedging against interest rate risks

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

As for portfolio hedges on groups of large-volume, small-value monetary debts, the Bank 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” (JICPA Industry Audit Committee Report No. 24, March 17, 2022).

To evaluate the effectiveness of portfolio hedges on groups of large-volume, small-value monetary debts, the Bank 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 Bank considers the individual hedges to be highly effective because the Bank 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.

### (2) Hedging against foreign exchange fluctuation risks

The Bank applies the deferred hedge accounting method, the fair value hedge accounting method or the allocation method to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains or 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 Bank 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 Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

## 9. Accounts to record gains or losses on cancellation and redemption of investment trusts

Gains or losses on cancellation and redemption of investment trusts are recorded as “interest and dividends on securities” if the underlying investment assets are bonds and bond equivalent, and as “gains on sales of stocks and other securities” or “losses on sales of stocks and other securities” if the underlying investment assets are other than bonds and bond equivalent. However, if the total of “interest and dividends on securities” of investment trusts is a loss, such loss is recorded as “losses on redemption of bonds.”

## **Changes in accounting policies**

### **(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)**

The Bank has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. Accordingly, some investment trusts which were recorded on the non-consolidated balance sheet at the acquisition cost will be recorded on the non-consolidated balance sheet at the fair value.

## **Significant accounting estimates**

Items using accounting estimates reported in the financial statements for the current fiscal year that may have a significant impact on the items on the financial statements for the following fiscal year are as follows:

### **Fair value measurement of securities**

The Bank’s balance of securities measured at fair value is material, and it has a significant impact on the financial statements. Accordingly, the fair value of securities is considered as a significant factor in accounting estimates.

(1) Carrying amount in the financial statements for the fiscal year

(Millions of yen)

	As of March 31, 2023
Securities	132,769,420

(2) Information that facilitates readers’ understanding of the details of the significant accounting estimates used for the identified items

Notes are omitted as the same information is presented in the notes to consolidated financial statements.

## **Additional information**

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

Notes on the performance-linked stock compensation system using a trust for Executive Officers are omitted as the same information is presented in the notes to consolidated financial statements.

### **(Transactions for Delivery of the Bank’s Shares to its Management Employees in the Investment Division through Trusts)**

Notes on the employee stock ownership plan using a trust for the management employees in the Investment Division are omitted as the same information is presented in the notes to consolidated financial statements.

## Notes related to non-consolidated balance sheet

1. Stocks and investments in capital of subsidiaries and affiliates totaled ¥57,753 million.
2. “Japanese government bonds” include ¥2,376,437 million of unsecured and secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions).

Of the securities that the Bank had the right to sell or (re-)pledge without restrictions among those purchased under resale agreements, etc., the Bank held ¥5,054,386 million of those neither sold nor pledged as of March 31, 2023.

3. Loans under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Loans include Japanese corporate bonds (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part and for which the corporate bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)) in “securities,” “loans,” “foreign exchanges,” accrued interest in “accrued income,” suspense payments in “other assets,” and items recorded in customers’ liabilities for acceptances and guarantees in the non-consolidated balance sheet.

	(Millions of yen)
Loans to borrowers classified as bankrupt or quasi-bankrupt	–
Loans to borrowers classified as doubtful	0
Past-due loans for three months or more	–
Restructured loans	–
Total	0

Loans to borrowers classified as bankrupt or quasi-bankrupt refer to loans to borrowers who have fallen into bankruptcy due to the commencement of bankruptcy proceedings, reorganization proceedings, rehabilitation proceedings, etc., or similar loans.

Loans to borrowers classified as doubtful refer to loans for which the borrowers have not yet entered into bankruptcy, but their financial condition and business performance have deteriorated and it is highly probable that the principal cannot be collected and the interest cannot be received in accordance with the contract, and exclude loans to borrowers classified as bankrupt or quasi-bankrupt.

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 borrowers classified as bankrupt or quasi-bankrupt and loans to borrowers classified as doubtful.

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 borrowers classified bankrupt or quasi-bankrupt, loans to borrowers classified as doubtful and past-due loans for three months or more.

Amounts of loans shown above are the amounts before the reserve for possible loan losses is deducted.

4. Assets pledged as collateral and their relevant liabilities were as follows:

(Millions of yen)

Assets pledged as collateral:	
Securities	22,633,567
Liabilities corresponding to assets pledged as collateral:	
Deposits	492,834
Payables under repurchase agreements	18,316,621
Payables under securities lending transactions	1,941,872
Borrowed money	1,632,600

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 ¥4,224,014 million.

“Other assets” included guarantee deposits of ¥1,944 million, margins with central counterparty of ¥362,637 million and other margins, etc. of ¥15,759 million, respectively.

5. Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The Bank 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 ¥39,855 million as of March 31, 2023. Of this amount, there were ¥579 million of loans 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, 2023.

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 Bank. Conditions are included in certain loan agreements that allow the Bank 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 Bank's credit. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank's established internal procedures and takes necessary measures to protect its credit.

6. Accumulated depreciation of tangible fixed assets was ¥212,031 million.

7. Monetary assets to parent company, subsidiaries, and affiliates totaled ¥258 million.

8. Monetary liabilities to parent company, subsidiaries, and affiliates totaled ¥1,313,545 million.

9. “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.” “Special deposits” represent the 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.



## Notes related to non-consolidated statement of income

1. Income earned from transactions with parent company, subsidiaries, and affiliates was as follows:

	(Millions of yen)
Total interest income	234
Total fees and commissions income	689
Expenses on transactions with parent company, subsidiaries, and affiliates were as follows:	
Total interest expenses	0
Total fees and commissions expenses	964
Other expenses	32,238

2. Transactions with related parties

- (1) Transactions between the Bank and the parent company, or major corporate shareholders

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	60.63% of the Bank's shares (direct)	
Nature of transactions	Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors Contract for using IT system service	
Details of transactions	Payment of brand royalty fees (*)	Payment of IT system service charge (**)
Transaction amount	¥4,425 million	¥17,598 million
Account	Other liabilities	Other liabilities
Outstanding balance at the end of the fiscal year	¥405 million	¥1,599 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.

\*\* Payment is made for IT system service within JAPAN POST GROUP at rates determined based on the arm's length principle.

- (2) Transactions between the Bank and subsidiaries or affiliates

There were no transactions between the Bank and subsidiaries or affiliates for the fiscal year ended March 31, 2023.

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates

JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil				
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	¥340,055 million	¥860,657 million	— (***)	¥2,673 million	
Account	Other liabilities	Other assets (**)	Other liabilities (***)	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥32,026 million	¥790,000 million	¥13,772 million	¥276 million	¥44 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, 2023.

\*\*\* 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 the arm's length principle.

Note: 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, 2023 was ¥230,710 million.

(4) Transactions between the Bank and directors and/or executive officers, or major individual shareholders

There were no transactions between the Bank and directors and/or executive officers, or major individual shareholders during the fiscal year ended March 31, 2023.

**Notes related to non-consolidated statement of changes in net assets**

Type and number of treasury stock for the fiscal year ended March 31, 2023 were as follows:

(Thousand shares)					
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	Notes
<b>Treasury stock</b>					
Common stock	755	80,798	59,770	21,784	(*) (**) (***) (****)

\* The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 685 thousand shares and 1,436 thousand shares of treasury stock held by the stock benefit trust.

\*\* The increase of 80,798 thousand shares of treasury stock represents an increase of 79,801 thousand shares due to the repurchase of treasury stock, an increase of 997 thousand shares due to the purchase by the stock benefit trust, and an increase of 0 thousand shares due to the purchase of shares less than one unit.

\*\*\* The decrease of 59,770 thousand shares of treasury stock represents a decrease of 59,523 thousand shares of treasury stock due to the cancellation of treasury stock and a decrease of 246 thousand shares of treasury stock due to the grant and the sale of treasury stock by the stock benefit trust.

\*\*\*\* At the Board of Directors meeting held on February 27, 2023, the Bank passed a resolution on matters relating to the repurchase of its own shares pursuant to Article 39, Paragraph 1 of the Bank's Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act. In addition, the Bank passed a resolution on matters related to the cancellation of shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Details of matters related to the repurchase

Class of shares to be repurchased:	Common stock of the Bank
Total number of shares to be repurchased:	90,000 thousand shares (maximum)
Aggregate repurchase price of shares to be repurchased:	¥80,000 million (maximum)
Repurchase period:	From March 22, 2023 to May 12, 2023 (excluding the period from March 27, 2023 to March 31, 2023)
Method of repurchase:	Market purchases under discretionary transaction contracts with respect to the repurchase of shares

(2) Details of matters related to the cancellation

Class of shares to be cancelled:	Common stock of the Bank
Total number of shares to be cancelled:	All shares to be repurchased through the share repurchase described in (1) above
Planned date of cancellation:	May 31, 2023

Of the above, shares of treasury stock purchased but not completely cancelled as at the end of the fiscal year are as follows.

Book value:	¥22,925 million
Class of shares:	Common stock
Number of shares:	20,277 thousand shares

## Securities

The fair value information of securities was as follows.

Securities discussed here include trading account securities, negotiable certificates of deposit recorded under due from banks, monetary claims bought, as well as Japanese government bonds, Japanese local government bonds, short-term corporate bonds, Japanese corporate bonds, Japanese stocks, and other securities listed on the balance sheet.

### 1. Trading account securities as of March 31, 2023

There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statement of income for the fiscal year.

### 2. Held-to-maturity securities as of March 31, 2023

(Millions of yen)

	Type	Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese government bonds	8,286,521	8,355,594	69,073
	Japanese local government bonds	651,809	653,215	1,405
	Japanese corporate bonds	1,114,884	1,119,923	5,039
	Other securities:	1,628,789	1,675,504	46,715
	Foreign bonds	1,628,789	1,675,504	46,715
	Total	11,682,005	11,804,238	122,233
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	6,756,062	6,450,338	(305,723)
	Japanese local government bonds	2,929,851	2,902,003	(27,848)
	Japanese corporate bonds	3,540,816	3,502,057	(38,759)
	Other securities:	2,144,937	2,089,715	(55,222)
	Foreign bonds	2,144,937	2,089,715	(55,222)
	Total	15,371,668	14,944,114	(427,553)
Total		27,053,673	26,748,353	(305,320)

### 3. Investments in subsidiaries and affiliates as of March 31, 2023

There were no investments in subsidiaries and affiliates with a fair value.

Note: Investments in subsidiaries and affiliates that do not have a market price are as follows:

(Millions of yen)

	Amount on the balance sheet
Investments in subsidiaries	57,538
Investments in affiliates	214
Total	57,753

#### 4. Available-for-sale securities for which fair value is available as of March 31, 2023

(Millions of yen)

	Type	Amount on the balance sheet	Acquisition cost	Difference (*)
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	15,942,099	15,744,261	197,837
	Japanese government bonds	12,708,561	12,526,035	182,526
	Japanese local government bonds	1,515,705	1,511,931	3,773
	Short-term corporate bonds	—	—	—
	Japanese corporate bonds	1,717,832	1,706,295	11,537
	Others:	28,651,662	25,889,203	2,762,458
	Foreign bonds	15,726,295	14,067,004	1,659,290
	Investment trusts (**)	12,795,852	11,693,312	1,102,540
	Total	44,593,761	41,633,465	2,960,296
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	15,168,008	15,809,241	(641,232)
	Japanese government bonds	10,363,566	10,969,909	(606,343)
	Japanese local government bonds	543,501	545,064	(1,563)
	Short-term corporate bonds	1,400,895	1,400,895	—
	Japanese corporate bonds	2,860,045	2,893,371	(33,325)
	Others:	46,367,108	47,472,115	(1,105,007)
	Foreign bonds	6,638,987	6,822,149	(183,161)
	Investment trusts (**)	39,314,348	40,232,877	(918,528)
	Total	61,535,117	63,281,356	(1,746,239)
Total		106,128,879	104,914,821	1,214,057

\* Of the difference shown above, ¥1,306,052 million gains were included in the statement of income due to the application of fair value hedge accounting.

\*\* Investment trusts are mainly invested in foreign bonds.

Note: Shares, etc. that do not have a market price and investments in partnerships which are not included above were as follows:

(Millions of yen)

	Amount on the balance sheet
Unlisted stocks (*)	18,827
Investments in partnerships (**)	53,572
Total	72,400

\* Unlisted stocks are not included in the scope of fair value disclosures in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

\*\* Investments in partnerships are not included in the scope of fair value disclosures in accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

#### 5. Held-to-maturity securities sold during the fiscal year ended March 31, 2023

There were no held-to-maturity securities sold during the fiscal year ended March 31, 2023.

6. Available-for-sale securities sold during the fiscal year ended March 31, 2023

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Bonds:	12,339,900	54,279	(72,564)
Japanese government bonds	12,306,746	54,278	(72,186)
Japanese corporate bonds	33,153	0	(378)
Others:	3,824,559	114,008	(117,899)
Foreign bonds	2,206,101	28,337	(107,221)
Investment trusts	1,618,458	85,671	(10,678)
Total	16,164,460	168,288	(190,464)

7. Securities for which accounting for impairment was applied

For securities (excluding shares, etc. that do not have a market price and investments in partnerships) other than trading securities, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the non-consolidated balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized.

No impairment losses were recognized for the fiscal year ended March 31, 2023.

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

However, domestic listed stocks, etc. are determined using the value calculated based on the average market price during the period of one month before the fiscal year-end, instead of the fair value in b) above.

## Money held in trust

The fair value information of money held in trust was as follows.

1. Money held in trust for the purpose of trading as of March 31, 2023  
The Bank did not hold money held in trust for the purpose of trading.
2. Money held in trust for the purpose of being held-to-maturity as of March 31, 2023  
The Bank did not hold money held in trust for the purpose of being held-to-maturity.
3. Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2023

(Millions of yen)

	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	3,632,150	2,573,591	1,058,558	1,124,173	(65,614)

Notes: 1. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the 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 consisting of shares, etc. that do not have a market price and investments in partnerships which is not included above was as follows:

(Millions of yen)

	Amount on the balance sheet
Money held in trust classified as: Available-for-sale	2,932,588

\* Unlisted stocks are not included in the scope of fair value disclosures in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

\*\* Investments in partnerships are not included in the scope of fair value disclosures in accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

4. Money held in trust for which accounting for impairment was applied

For the securities (excluding shares, etc. that do not have a market price and investments in partnerships) that form part of the trust assets in money held in trust other than that 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 Bank reduces its book value of securities to fair value on the non-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 year ended March 31, 2023 amounted to ¥3,195 million.

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

However, domestic listed stocks, etc. are determined using the value calculated based on the average market price during the period of one month before the fiscal year-end, instead of the fair value in b) above.

## Deferred tax assets/liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2023 were as follows:

	(Millions of yen)
<b>Deferred tax assets:</b>	
Reserve for possible loan losses	0
Reserve for employees' retirement benefits	42,377
Accrued enterprise taxes	5,354
Net deferred losses on hedges	277,262
Reserve for reimbursement of deposits	16,738
Depreciation	5,918
Unrealized losses of money held in trust	3,614
Other	26,137
<b>Total deferred tax assets</b>	<b>377,403</b>
<b>Deferred tax liabilities:</b>	
Net unrealized gains on available-for-sale securities	(343,998)
Other	(7,160)
<b>Total deferred tax liabilities</b>	<b>(351,158)</b>
<b>Net deferred tax assets</b>	<b>26,245</b>

## Revenue recognition

- Useful information in understanding revenue

Notes on useful information in understanding revenue is omitted as the same information is presented in the notes to consolidated financial statements.

## Per share data

Net assets per share as of March 31, 2023 and net income per share for the fiscal year then ended were as follows:

	(Yen)
Net assets per share <sup>(*)</sup> <sub>(***)</sub>	2,619.50
Net income per share <sup>(**)</sup> <sub>(***)</sub>	86.72

\* Net assets per share is calculated using the net assets of ¥9,608,979 million divided by the number of common stock outstanding (excluding treasury stock) as of March 31, 2023 (3,668,236 thousand shares).

\*\* Net income per share is calculated using the net income of ¥324,607 million divided by the average number of common stock outstanding for the fiscal year ended March 31, 2023 (3,743,041 thousand shares).

\*\*\* To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2023 included 1,436 thousand shares of 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 fiscal year ended March 31, 2023 included 1,350 thousand shares of treasury stock held by the stock benefit trust.



## Significant subsequent events

(Share Repurchase)

At the Board of Directors meeting held on February 27, 2023, the Bank passed a resolution on matters relating to the repurchase of its own shares pursuant to Article 39, Paragraph 1 of the Bank's Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act, and completed the repurchase on April 27, 2023.

### 1. Reason for the share repurchase

To improve capital efficiency and strengthen shareholder returns, etc.

### 2. Details of matters related to the repurchase

- |                                                             |                                                                                                     |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| (1) Class of shares to be repurchased:                      | Common stock of the Bank                                                                            |
| (2) Total number of shares to be repurchased:               | 90,000,000 shares (maximum)                                                                         |
| (3) Aggregate repurchase price of shares to be repurchased: | ¥80,000,000,000 (maximum)                                                                           |
| (4) Repurchase period:                                      | From March 22, 2023 to May 12, 2023<br>(excluding the period from March 27, 2023 to March 31, 2023) |
| (5) Method of repurchase:                                   | Market purchases under discretionary transaction contracts with respect to the repurchase of shares |

### 3. Details of the repurchase implemented

- |                                                       |                                                                                                       |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| (1) Class of shares repurchased:                      | Common stock of the Bank                                                                              |
| (2) Total number of repurchased shares:               | 72,418,800 shares                                                                                     |
| (3) Aggregate repurchase price of repurchased shares: | ¥79,999,985,300                                                                                       |
| (4) Repurchase period:                                | From March 22, 2023 to April 27, 2023<br>(excluding the period from March 27, 2023 to March 31, 2023) |
| (5) Method of repurchase:                             | Market purchases under discretionary transaction contracts with respect to the repurchase of shares   |

## **Notes to Consolidated Financial Statements**

Amounts less than one million yen are rounded down.

Subsidiaries and affiliates are defined based on Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

### **Significant accounting policies for preparing consolidated financial statements**

#### 1. Scope of consolidation

##### (1) Consolidated subsidiaries: 9 companies

Name of principal companies

Japan Post Investment Corporation

JAPAN POST BANK LOAN CENTER Co., Ltd.

Three newly established companies are included in the scope of consolidation from the fiscal year ended March 31, 2023.

##### (2) Non-consolidated subsidiaries: 2 companies

Name of principal company

Advanced Fintech I Limited Partnership

The non-consolidated subsidiaries were excluded from the scope of consolidation since their assets, ordinary income, and our share of their net income, retained earnings and accumulated other comprehensive income did not have a material impact on, and their exclusion from the scope of consolidation would not prevent a reasonable judgment of, the Group's financial position and business results.

#### 2. Application of the equity method

##### (1) Affiliates accounted for by the equity method: 2 companies

Name of principal companies

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

##### (2) Non-consolidated subsidiaries that are not accounted for by the equity method: 2 companies

Name of principal company

Advanced Fintech I Limited Partnership

The non-consolidated subsidiaries that are not accounted for by the equity method were excluded from the scope of the equity method since our share of their net income, retained earnings and accumulated other comprehensive income did not have a material impact, and their exclusion from the equity method would not have a significant impact, on the consolidated financial statements.

#### 3. Fiscal years of consolidated subsidiaries

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

December 31: 7 companies

March 31: 2 companies

##### (2) Certain consolidated subsidiaries whose balance sheet date is December 31 are consolidated using the preliminary financial statements as of March 31, while other consolidated subsidiaries are consolidated using financial statements as of their respective balance sheet dates.

For significant transactions occurring between the consolidated balance sheet date and the balance sheet dates at individual consolidated subsidiaries, adjustments are made as appropriate.

#### 4. Accounting policies

##### (1) Trading account securities

Trading account securities are stated at fair value.

##### (2) Securities

(i) 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. Available-for-sale securities are stated at fair value (cost of securities sold is primarily calculated using the moving-average method). However, shares, etc. that do not have a market price are stated at cost determined by the moving-average method.

Net unrealized gains or 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 as a separate component of net assets.

(ii) For the securities that form part of trust assets in money held in trust, stocks are stated using the same method as (2) (i) above.

Net unrealized gains or losses on money held in trust classified as available-for-sale are stated as a separate component of net assets.

##### (3) Derivatives

Derivatives are stated at fair value.

##### (4) Fixed assets

###### (i) Tangible fixed assets

Depreciation of tangible fixed assets is computed using 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.

###### (ii) Intangible fixed assets

The amortization of intangible fixed assets is computed using 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).

##### (5) 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, April 14, 2022), 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.

(6) Reserve for bonuses

The reserve for bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.

(7) 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.

(8) 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.

(9) Reserve for reimbursement of deposits

The reserve for reimbursement of deposits, which is provided for depositors' 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.

(10) Employees' retirement benefits

The method of attributing projected benefit obligation to the periods ending on or before March 31, 2023 is 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.

(11) Revenue recognition

The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). The Group recognizes revenue at the amount expected to be received in exchange for the promised goods or services when the control of its goods or services is transferred to customers.

(12) Foreign currency transactions

Foreign currency denominated assets and liabilities are translated into Japanese yen principally at the exchange rates in effect at the consolidated balance sheet date.

(13) Hedge accounting

(i) Hedging against interest rate risks

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

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" (JICPA Industry Audit Committee Report No. 24, March 17, 2022).

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.

(ii) Hedging against foreign exchange fluctuation risks

The Group applies the deferred hedge accounting method, the fair value hedge accounting method or the allocation method to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains or 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.

(14) Accounts to record gains or losses on cancellation and redemption of investment trusts

Gains or losses on cancellation and redemption of investment trusts are recorded as "interest and dividends on securities" if the underlying investment assets are bonds and bond equivalent, and as gains or losses on sales of stocks and other securities in "other ordinary income" or "other ordinary expenses" if the underlying investment assets are other than bonds and bond equivalent. However, if the total of "interest and dividends on securities" of investment trusts is a loss, such loss is recorded as losses on redemption of bonds in "other operating expenses."

## Changes in accounting policies

### (Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. Accordingly, some investment trusts which were recorded on the consolidated balance sheet at the acquisition cost will be recorded on the consolidated balance sheet at the fair value.

### Accounting pronouncements issued but not yet adopted

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

#### (1) Overview

In line with the aforementioned, the Group has determined the accounts to record income taxes where other comprehensive income is taxed, while establishing the treatment of tax effect accounting in the disposal of shares of subsidiaries and affiliates under the group taxation regime.

#### (2) Scheduled date of application

The implementation of the guidance is scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

#### (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.

## Significant accounting estimates

Items using accounting estimates reported in the consolidated financial statements for the current fiscal year that may have a significant impact on the items on the consolidated financial statements for the following fiscal year are as follows:

### Fair value measurement of securities

The Group’s balance of securities measured at fair value is material, and it has a significant impact on the consolidated financial statements. Accordingly, the fair value of securities is considered as a significant factor in accounting estimates.

#### (1) Carrying amount in the consolidated financial statements for the fiscal year

(Millions of yen)

	As of March 31, 2023
Securities	132,801,422

(2) Information that facilitates readers' understanding of the details of the significant accounting estimates used for the identified items

(i) Calculation methodology and key assumptions

For bonds, the Group uses the Reference Statistical Prices for OTC Bond Transactions published by the Japan Securities Dealers Association, the comparable price method, or the price provided by third parties such as outside vendors and brokers, etc., as the fair value. The Group uses the funds' unit price for investment trust as the fair value. Key assumptions for the comparable price method or the price provided by third parties are inputs used for fair value measurement which include directly or indirectly observable inputs in the markets such as yield curves, spreads estimated based on the prices of similar securities, as well as inputs that are unobservable in the markets containing significant estimates.

(ii) Impact on the consolidated financial statements for the following fiscal year

Fair value of securities may fluctuate due to changes in inputs that are key assumptions, due to factors such as changes in market environment.

### **Additional information**

#### **(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 "beneficiaries") in accordance with the number of points granted to the beneficiaries. 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, 2023, were ¥956 million and 914 thousand shares.

### **(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 "beneficiaries") in accordance with the number of points granted to the beneficiaries 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, 2023, were ¥546 million and 522 thousand shares.



### Notes related to consolidated balance sheets

1. Stocks and investments in capital of affiliates (excluding stocks and investments in capital of consolidated subsidiaries) totaled ¥2,782 million.
2. Japanese government bonds in “Securities” include ¥2,376,437 million of unsecured and secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions).  
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 ¥5,054,386 million of those neither sold nor pledged as of March 31, 2023.
3. Loans under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Loans include Japanese corporate bonds (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part and for which the corporate bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)) in “securities,” “loans,” “foreign exchanges,” accrued interest and suspense payments in “other assets,” and items recorded in customers’ liabilities for acceptances and guarantees in the consolidated balance sheets.

	(Millions of yen)
Loans to borrowers classified as bankrupt or quasi-bankrupt	—
Loans to borrowers classified as doubtful	0
Past-due loans for three months or more	—
Restructured loans	—
Total	0

Loans to borrowers classified as bankrupt or quasi-bankrupt refer to loans to borrowers who have fallen into bankruptcy due to the commencement of bankruptcy proceedings, reorganization proceedings, rehabilitation proceedings, etc., or similar loans.

Loans to borrowers classified as doubtful refer to loans for which the borrowers have not yet entered into bankruptcy, but their financial condition and business performance have deteriorated and it is highly probable that the principal cannot be collected and the interest cannot be received in accordance with the contract, and exclude loans to borrowers classified as bankrupt or quasi-bankrupt.

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 borrowers classified as bankrupt or quasi-bankrupt and loans to borrowers classified as doubtful.

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 borrowers classified bankrupt or quasi-bankrupt, loans to borrowers classified as doubtful and past-due loans for three months or more.

Amounts of loans shown above are the amounts before the reserve for possible loan losses is deducted.

4. Assets pledged as collateral and their relevant liabilities were as follows:

	(Millions of yen)
Assets pledged as collateral:	
Securities	22,633,567
Liabilities corresponding to assets pledged as collateral:	
Deposits	492,834
Payables under repurchase agreements	18,316,621
Payables under securities lending transactions	1,941,872
Borrowed money	1,632,600

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 ¥4,224,014 million.

“Other assets” included initial margins for future transactions of ¥171,779 million, guarantee deposits of ¥2,081 million, cash collateral paid for financial instruments of ¥534,711 million, margins with central counterparty of ¥362,637 million and other margins, etc. of ¥15,759 million, respectively.

5. 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 ¥39,855 million as of March 31, 2023. Of this amount, there were ¥579 million of loans 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, 2023.

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 Group’s established internal procedures and takes necessary measures to protect the Group’s credit.

6. Accumulated depreciation of tangible fixed assets was ¥212,448 million.

**Notes related to consolidated statements of income**

“Other ordinary income” included the following:

	(Millions of yen)
Gains on sales of stocks and other securities	86,034
Gains on money held in trust	246,912

## Notes related to consolidated statements of changes in net assets

1. Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2023 were as follows:

(Thousand shares)					
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	Notes
<b>Shares issued</b>					
Common stock	3,749,545	—	59,523	3,690,021	(*)
<b>Treasury stock</b>					
Common stock	755	80,798	59,770	21,784	(**)(***) (****)(*****)

\* The decrease of 59,523 thousand shares of common stock issued represents a decrease of 59,523 thousand shares due to the cancellation of treasury stock.

\*\* The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 685 thousand shares and 1,436 thousand shares of treasury stock held by the stock benefit trust.

\*\*\* The increase of 80,798 thousand shares of treasury stock represents an increase of 79,801 thousand shares due to the repurchase of treasury stock, an increase of 997 thousand shares due to the purchase by the stock benefit trust, and an increase of 0 thousand shares due to the purchase of shares less than one unit.

\*\*\*\* The decrease of 59,770 thousand shares of treasury stock represents a decrease of 59,523 thousand shares of treasury stock due to the cancellation of treasury stock and a decrease of 246 thousand shares of treasury stock due to the grant and the sale of treasury stock by the stock benefit trust.

\*\*\*\*\* At the Board of Directors meeting held on February 27, 2023, the Bank passed a resolution on matters relating to the repurchase of its own shares pursuant to Article 39, Paragraph 1 of the Bank's Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act. In addition, the Bank passed a resolution on matters related to the cancellation of shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Details of matters related to the repurchase

Class of shares to be repurchased: Common stock of the Bank

Total number of shares to be repurchased: 90,000 thousand shares (maximum)

Aggregate repurchase price of shares to be repurchased: ¥80,000 million (maximum)

Repurchase period: From March 22, 2023 to May 12, 2023  
(excluding the period from March 27, 2023 to March 31, 2023)

Method of repurchase: Market purchases under discretionary transaction contracts with respect to the repurchase of shares

(2) Details of matters related to the cancellation

Class of shares to be cancelled: Common stock of the Bank

Total number of shares to be cancelled: All shares to be repurchased through the share repurchase described in (1) above

Planned date of cancellation: May 31, 2023

Of the above, shares of treasury stock purchased but not completely cancelled as at the end of the fiscal year are as follows.

Book value: ¥22,925 million

Class of shares: Common stock

Number of shares: 20,277 thousand shares

## 2. Dividends

### (1) Dividends distributed during the fiscal year

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 13, 2022 at the meeting of the Board of Directors	Common stock	187,473	50.00	March 31, 2022	June 17, 2022

Note: The total amount of dividends resolved by the Board of Directors' meetings held on May 13, 2022 included dividends of ¥34 million for the Bank's shares held by the stock benefit trust.

### (2) Dividends with the record date within the fiscal year and with the effective date coming after the end of the fiscal year

Resolution	Type	Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
May 15, 2023 at the meeting of the Board of Directors	Common stock	183,483	Retained earnings	50.00	March 31, 2023	June 21, 2023

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2023 included dividends of ¥71 million for the Bank's shares held by the stock benefit trust.

## Financial instruments

### 1. 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 stock investments via money held in trust, but the amounts of these investments are less than those of bonds and other securities.

From the viewpoints of the Group's ALM, the Group utilizes interest rate swaps and others 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.

Derivative transactions 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 "Significant accounting policies for preparing consolidated financial statements 4. Accounting policies (13) Hedge accounting."

### (3) Risk management structure for financial instruments

#### (i) 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.

#### (ii) 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.

#### (iii) 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, stock 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. Furthermore, the Group has reviewed its practice based on its monitoring results as well as changes in its position, and adopted a method for measuring market VaR more in line with the Group's position from the fiscal year under review.

As of March 31, 2023, the Group calculated the amounts of its market risk exposure (estimated potential losses from such risk) at ¥4,722,630 million. 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 marketable securities accounting for the majority of its assets and 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.

(iv) 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 various assumptions, and the value may be changed if different assumptions and other factors are applied.

## 2. Notes related to the fair value of financial instruments

The amounts on the consolidated balance sheets, the fair values, and the differences between the two as of March 31, 2023, were as follows.

Notes on cash and due from banks, call loans, receivables under resale agreements, receivables under securities borrowing transactions, payables under repurchase agreements, and payables under securities lending transactions are omitted as their fair values are approximately the same as their book values due to the short settlement period.

(Millions of yen)

	Amount on the consolidated balance sheet	Fair value	Difference
(1) Monetary claims bought	478,286	478,286	—
(2) Trading account securities:			
Securities classified as trading purposes	19	19	—
(3) Money held in trust (*)	3,632,150	3,632,150	—
(4) Securities:			
Held-to-maturity securities	27,053,673	26,716,540	(337,132)
Available-for-sale securities (*)	105,603,634	105,603,634	—
(5) Loans:			
Reserve for possible loan losses (**)	(144)		
	5,604,222	5,579,508	(24,714)
Total assets	142,371,986	142,010,139	(361,847)
(1) Deposits	194,948,611	194,968,846	20,235
(2) Borrowed money	1,632,600	1,632,785	185
Total liabilities	196,581,211	196,601,631	20,420
Derivative transactions (***):			
For which hedge accounting is not applied	(144,059)	(144,059)	—
For which hedge accounting is applied (****)	(1,011,605)	(1,011,605)	—
Total derivative transactions	(1,155,664)	(1,155,664)	—

\* Investment trusts to which the treatment that fund's unit price is regarded as the fair value is applied stipulated in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are included.

\*\* Reserve for possible loan losses is the general reserve for possible loan losses and the specific reserve for possible loan losses corresponding to loans.

\*\*\* Figures are total derivative instruments recorded in 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.

Derivatives under the allocation method, such as foreign exchange forward contracts, 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.

\*\*\*\* These derivative transactions are interest rate swaps, etc. designated as hedging instruments to offset changes in the fair value of securities and other hedged items and the Group mainly applies the deferred hedge accounting method. The Group applies the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Issues Task Force (PITF) No. 40, March 17, 2022) for these hedging relationships.



(Note 1) The amounts in the consolidated balance sheets of shares, etc. that do not have a market price and investments in partnerships were as follows. The fair value information of these financial instruments is not included in “Assets (3) Money held in trust” and “Assets (4) Securities.”

(Millions of yen)

Type	Amount on the consolidated balance sheet
Money held in trust (*)(**)	2,932,588
Securities	
Unlisted stocks (*)	35,683
Investments in partnerships (**)	108,431
Total (***)	3,076,703

\* Unlisted stocks, etc. are not included in the scope of fair value disclosures in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

\*\* Investments in partnerships are not included in the scope of fair value disclosures in accordance with Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

\*\*\* An impairment loss of ¥1,570 million was recognized in the fiscal year ended March 31, 2023.

(Note 2) Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the consolidated balance sheet date

(Millions of yen)

	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Monetary claims bought	2,452	19,175	76,085	80,073	64,531	238,605
Securities:	13,118,269	20,560,461	12,512,128	8,282,352	6,389,659	27,175,021
Held-to-maturity securities	2,855,539	6,784,276	3,663,261	1,413,629	1,258,606	11,198,614
Available-for-sale securities (with maturity date)	10,262,729	13,776,184	8,848,866	6,868,723	5,131,052	15,976,407
Loans (*)	3,296,537	736,177	460,767	344,863	434,077	327,519
Total	16,417,259	21,315,814	13,048,981	8,707,289	6,888,268	27,741,147

\* Loans do not include ¥0 million in loans, etc. to bankrupt, substantially bankrupt and doubtful borrowers, for which redemption cannot be expected.

(Note 3) Scheduled repayment amounts of interest-bearing liabilities subsequent to the consolidated balance sheet date

(Millions of yen)

	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits (*)	130,688,846	10,653,395	18,946,445	16,717,895	17,942,029	—
Borrowed money	349,700	10,400	1,272,500	—	—	—
Total	131,038,546	10,663,795	20,218,945	16,717,895	17,942,029	—

\* Demand deposits are included in “One Year or Less.”

### 3. Fair value information by level within the fair value hierarchy

The financial instruments are classified into the following three levels of fair value hierarchy according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the financial instruments are categorized in their entirety in the level of the lowest level input that is significant to the entire measurement.

#### (1) Financial instruments booked at fair value on the consolidated balance sheets

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	—	—	478,286	478,286
Money held in trust (*)	3,140,647	—	—	3,140,647
Trading account securities and securities:				
Securities classified as trading purposes				
Japanese government bonds	19	—	—	19
Available-for-sale securities				
Japanese government bonds	22,821,688	250,439	—	23,072,127
Japanese local government bonds	—	2,059,206	—	2,059,206
Short-term corporate bonds	—	1,400,895	—	1,400,895
Japanese corporate bonds	—	4,577,338	539	4,577,878
Others:	11,433,996	57,246,395	98,660	68,779,052
Foreign bonds	11,433,996	10,832,625	98,660	22,365,282
Investment trusts (*)	—	46,413,770	—	46,413,770
Total assets	37,396,352	65,534,276	577,486	103,508,115
Derivative transactions (**):				
Interest rate-related derivatives	—	(28,580)	—	(28,580)
Currency-related derivatives	—	(1,127,186)	—	(1,127,186)
Credit derivatives	—	102	—	102
Total derivative transactions	—	(1,155,664)	—	(1,155,664)

\* Investment trusts to which the treatment that funds' unit price is regarded as the fair value is applied stipulated in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are not included. The amount of such investment trusts on the consolidated balance sheets to which the treatment in Paragraph 24-3 is applied is ¥5,714,472 million. The amount of such investment trusts on the consolidated balance sheets to which the treatment in Paragraph 24-9 is applied is ¥132,167 million.

\*\* Figures are total derivative instruments recorded in 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.

## (2) Financial instruments other than those booked at fair value on the consolidated balance sheets

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	—	359,334	—	359,334
Securities:				
Held-to-maturity securities				
Japanese government bonds	14,805,933	—	—	14,805,933
Japanese local government bonds	—	3,555,218	—	3,555,218
Japanese corporate bonds	—	4,621,981	—	4,621,981
Others	721,757	3,011,650	—	3,733,407
Loans	—	—	5,579,508	5,579,508
<b>Total assets</b>	<b>15,527,690</b>	<b>11,548,184</b>	<b>5,579,508</b>	<b>32,655,383</b>
Deposits	—	194,968,846	—	194,968,846
Borrowed money	—	1,632,785	—	1,632,785
<b>Total liabilities</b>	<b>—</b>	<b>196,601,631</b>	<b>—</b>	<b>196,601,631</b>

## (Note 1) Explanation of the valuation techniques and inputs used in the fair value measurements

Assets

## Monetary claims bought

The Group uses the price provided by third parties such as brokers, etc. as the fair value, and classifies the monetary claims bought as Level 3 fair value.

## 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 investment trusts that have a quoted market price and uses the Reference Statistical Prices for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value. As a result, the trust assets in money held in trust are principally classified as Level 1 fair value. For investment trusts that do not have a quoted market price, in case there are significant restrictions that market participants would require compensation for risk with respect to cancellation or repurchase request, the Group uses the treatment that funds' unit price is regarded as the fair value based on Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) and which are not classified into any level of fair value hierarchy.

Notes pertaining to money held in trust by holding purpose are included in the section "Money held in trust."

## Trading account securities

The Group uses the purchase price provided by the Bank of Japan as the fair value and classifies the trading account securities as Level 1 fair value as unadjusted quoted prices in active markets are available.

## Securities

For bonds, the Group uses the Reference Statistical Prices for OTC Bond Transactions published by the Japan Securities Dealers Association, the comparable price method, or the price provided by third parties such as outside vendors and brokers, etc., as the fair value.

Of bonds that use the Reference Statistical Prices for OTC Bond Transactions published by the Japan Securities Dealers Association and the comparable price method as the fair value, Japanese government bonds and treasury discount bills are principally classified as Level 1 fair value, while bonds other than those are classified as Level 2 fair value. Bonds that use the price provided by third parties such as outside vendors and brokers, etc. as the fair value are classified as either of Level 1, 2 or 3, based on observability of the prices obtained and inputs, etc. in the market.

For bonds subject to the allocation method, such as foreign exchange forward contracts, etc., the fair value of such foreign exchange forward contracts, etc. is reflected.

For investment trusts that do not have a quoted market price, in case there are no significant restrictions that market participants would require compensation for risk with respect to cancellation or repurchase request, the Group uses the funds' unit price as the fair value and which are classified as Level 2 fair value. In case there are significant restrictions, the Group uses the treatment that funds' unit price is regarded as the fair value based on Paragraphs 24-3 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) and which are not classified into any level of fair value hierarchy.

Notes pertaining to securities by holding purpose are included in the section "Securities."

## Loans

Loans with floating interest rates reflect market interest rates within the short term. When a borrower's credit standing does not change 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. The fair value of fixed-rate loans is stated at its present value of each loan, which is calculated by discounting its total principal and interest amounts at the interest rate that reflects the remaining tenor and credit risk of the borrower. As a result, fixed-rate loans are classified as Level 3 fair value.

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. As a result, such loans are classified as Level 3 fair value.

## Liabilities

### Deposits

For demand deposits including transfer deposits and ordinary deposits, the Group uses the amount that might be paid on demand on the consolidated balance sheet date (the book value) as the fair value and classifies demand deposits as Level 2 fair value.

For fixed-term deposits, the Group categorizes the deposits by specified tenors and calculates the present value by discounting the projected future cash flow, which is used as their fair value. As a result, fixed-term deposits are classified as Level 2 fair value.

For TEIGAKU deposits, the Group categorizes the deposits by specified tenors and calculates the present value by discounting the projected future cash flow, reflecting an early cancellation rate calculated using historical results, which is used as their fair value. When unobservable inputs are not significant to the fair value measurement, these TEIGAKU deposits are classified as Level 2 fair value. When significant unobservable inputs are used for measurement, the TEIGAKU deposits are classified as Level 3 fair value.

The Group uses the interest rates on newly accepted deposits as the discount rates applied to fixed-term deposits and TEIGAKU deposits.

### 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 whose remaining tenor is short (due within one year) is approximately the same as the book value, and therefore the Group uses the book value as the fair value and classifies borrowed money as Level 2 fair value.

### Derivative transactions

The derivative instruments are classified as Level 1 fair value when unadjusted quoted prices in active markets are available for the measurement.

However, since most of the derivative instruments are traded over the counter and there are no quoted market prices, the Group measures their fair value using valuation techniques including the discounted cash flow method according to their transaction type and maturity period. Major inputs used for these measurement methods are interest rates and exchange rates. Measurement reflects price adjustments, as necessary, based on counterparty credit risk and the Bank's own credit risk. When unobservable inputs are not used or their impact is insignificant, such derivative instruments, e.g., plain vanilla interest rate swap transactions, foreign exchange forward contracts, etc., are classified as Level 2 fair value. When significant unobservable inputs are used for measurement, these derivative instruments are classified as Level 3 fair value.

(Note 2) Information about Level 3 fair value of financial instruments that are recorded on the consolidated balance sheets at their fair value

#### (1) Quantitative information on significant unobservable inputs

As the Bank does not conduct estimation of inputs it cannot observe itself, the quantitative information is not provided.

(2) Reconciliation from the beginning balance to the ending balance and unrealized gains or losses recognized in profit or loss for the fiscal year ended March 31, 2023

(Millions of yen)

	Beginning Balance	Profit or loss or other comprehensive income for the fiscal year ended March 31, 2023		Net amount of purchase, sale, issuance and settlement	Transfer into Level 3 fair value (**)	Transfer out of Level 3 fair value (***)	Ending balance	Unrealized gains or losses of financial assets and financial liabilities held at the end of the period included in profit or loss for the fiscal year ended March 31, 2023 (*)
		Recognized in profit or loss (*)	Recognized in other comprehensive income					
Monetary claims bought	397,301	(6)	(2,168)	83,160	—	—	478,286	—
Securities								
Available-for-sale securities								
Japanese corporate bonds	1,837	(3)	(0)	(1,294)	—	—	539	—
Others	213,158	2,047	(1,304)	(60,950)	10,529	(64,818)	98,660	(2,452)

\* Principally included in “other operating income” in the consolidated statements of income.

\*\* Transferred out of Level 2 fair value into Level 3 fair value mainly because observable market data did not become available for foreign bonds due to decreasing market activities. The transfer was made at the beginning of the fiscal year under review.

\*\*\* Transferred out of Level 3 fair value into Level 2 fair value mainly because observable market data became available for foreign bonds. The transfer was made at the beginning of the fiscal year.

(3) Explanation of valuation processes used for fair value measurements

The fair value verification department has established policies and procedures for measuring fair value, and each fair value measurement department measures fair value accordingly. The fair value verification department that is independent from the fair value measurement departments verifies whether the fair value obtained is measured using valid valuation techniques and inputs, and based on the verification results, financial instruments are classified into an appropriate level of the fair value hierarchy. The results of the verification are reported to the ALM Committee to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, the Group uses a valuation model that most appropriately reflects the nature, characteristics and risks of each financial instrument. In addition, when using quoted prices obtained from third parties, the Group verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

(4) Explanation of an impact on fair value in the case of changing significant unobservable inputs

As the Bank does not conduct estimation of inputs it cannot observe itself, the explanation is not provided.

(Note 3) Information about investment trusts to which the treatment that funds' unit price is regarded as the fair value is applied stipulated in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(1) Reconciliation from the beginning balance to the ending balance for the fiscal year of the investment trusts for which the treatment stipulated in Paragraph 24-3 is applied

(Millions of yen)

Beginning Balance	Profit or loss or other comprehensive income for the fiscal year ended March 31, 2023		Net amount of purchase, sale, and redemption	Amount by which the funds' unit price is regarded as the fair value of investment trusts	Amount by which the funds' unit price is not regarded as the fair value of investment trusts	Ending balance	Unrealized gains or losses of investment trusts held at the end of the period included in profit or loss for the fiscal year ended March 31, 2023
	Recognized in profit or loss (*)	Recognized in other comprehensive income					
3,252,407	76,133	1,053,861	1,332,069	—	—	5,714,472	—

\* Principally included in "other ordinary income" in the consolidated statements of income.

(2) Reconciliation from the beginning balance to the ending balance for the fiscal year of the investment trusts for which the treatment stipulated in Paragraph 24-9 is applied

(Millions of yen)

Beginning Balance	Profit or loss or other comprehensive income for the fiscal year ended March 31, 2023		Net amount of purchase, sale, and redemption	Amount by which the funds' unit price is regarded as the fair value of investment trusts	Amount by which the funds' unit price is not regarded as the fair value of investment trusts	Ending balance	Unrealized gains or losses of investment trusts held at the end of the period included in profit or loss for the fiscal year ended March 31, 2023
	Recognized in profit or loss (*)	Recognized in other comprehensive income					
97,899	127	11,245	22,895	—	—	132,167	—

\* Principally included in "other ordinary income" in the consolidated statements of income.

(3) Breakdown by contents of restrictions on cancellation or repurchase request as of the consolidated balance sheet date

e.g., low liquidity of investment trusts comprising trust assets and longer period of time until the date when investment trust can be redeemed ¥5,714,472 million

## Securities

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.

### 1. Trading account securities as of March 31, 2023

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 year under review.

### 2. Held-to-maturity securities as of March 31, 2023

(Millions of yen)

	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	8,286,521	8,355,594	69,073
	Japanese local government bonds	651,809	653,215	1,405
	Japanese corporate bonds	1,114,884	1,119,923	5,039
	Others:	1,628,789	1,675,504	46,715
	Foreign bonds	1,628,789	1,675,504	46,715
	Total	11,682,005	11,804,238	122,233
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	6,756,062	6,450,338	(305,723)
	Japanese local government bonds	2,929,851	2,902,003	(27,848)
	Japanese corporate bonds	3,540,816	3,502,057	(38,759)
	Others:	2,144,937	2,089,715	(55,222)
	Foreign bonds	2,144,937	2,089,715	(55,222)
	Total	15,371,668	14,944,114	(427,553)
Total		27,053,673	26,748,353	(305,320)



### 3. Available-for-sale securities for which fair value is available as of March 31, 2023

(Millions of yen)

	Type	Amount on the consolidated balance sheet	Acquisition cost	Difference (*)
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Bonds:	15,942,099	15,744,261	197,837
	Japanese government bonds	12,708,561	12,526,035	182,526
	Japanese local government bonds	1,515,705	1,511,931	3,773
	Short-term corporate bonds	—	—	—
	Japanese corporate bonds	1,717,832	1,706,295	11,537
	Others:	28,669,703	25,900,019	2,769,684
	Foreign bonds	15,726,295	14,067,004	1,659,290
	Investment trusts (**)	12,813,894	11,704,128	1,109,766
	<b>Total</b>	<b>44,611,803</b>	<b>41,644,281</b>	<b>2,967,521</b>
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Bonds:	15,168,008	15,809,241	(641,232)
	Japanese government bonds	10,363,566	10,969,909	(606,343)
	Japanese local government bonds	543,501	545,064	(1,563)
	Short-term corporate bonds	1,400,895	1,400,895	—
	Japanese corporate bonds	2,860,045	2,893,371	(33,325)
	Others:	46,367,108	47,472,115	(1,105,007)
	Foreign bonds	6,638,987	6,822,149	(183,161)
	Investment trusts (**)	39,314,348	40,232,877	(918,528)
	<b>Total</b>	<b>61,535,117</b>	<b>63,281,356</b>	<b>(1,746,239)</b>
<b>Total</b>		<b>106,146,920</b>	<b>104,925,638</b>	<b>1,221,282</b>

\* Of the difference shown above, ¥1,306,052 million gains were included in the consolidated statements of income due to the application of fair value hedge accounting.

\*\* Investment trusts are mainly invested in foreign bonds.

Note: Shares, etc. that do not have a market price and investments in partnerships which are not included above were as follows:

(Millions of yen)

	Amount on the consolidated balance sheet
Unlisted stocks	34,763
Investments in partnerships	106,569
<b>Total</b>	<b>141,332</b>

### 4. Held-to-maturity securities sold during the fiscal year ended March 31, 2023

There were no held-to-maturity securities sold during the fiscal year ended March 31, 2023.

5. Available-for-sale securities sold during the fiscal year ended March 31, 2023

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	573	362	—
Bonds:	12,339,900	54,279	(72,564)
Japanese government bonds	12,306,746	54,278	(72,186)
Japanese corporate bonds	33,153	0	(378)
Others:	3,824,559	114,008	(117,899)
Foreign bonds	2,206,101	28,337	(107,221)
Investment trusts	1,618,458	85,671	(10,678)
Total	16,165,033	168,651	(190,464)

6. Securities for which accounting for impairment was applied

For securities (excluding shares, etc. that do not have a market price and investments in partnerships) other than trading securities, 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.

No impairment losses were recognized for the fiscal year ended March 31, 2023.

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

However, domestic listed stocks, etc. are determined using the value calculated based on the average market price during the period of one month before the fiscal year-end, instead of the fair value in b) above.

## Money held in trust

The fair value information of money held in trust was as follows.

1. Money held in trust for the purpose of trading as of March 31, 2023

The Group did not hold money held in trust for the purpose of trading.

2. Money held in trust for the purpose of being held-to-maturity as of March 31, 2023

The Group did not hold money held in trust for the purpose of being held-to-maturity.

3. Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2023

	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	3,632,150	2,573,591	1,058,558	1,124,173	(65,614)

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 consisting of shares, etc. that do not have a market price and investments in partnerships which is not included above was as follows:

	(Millions of yen)
	Amount on the consolidated balance sheet
Money held in trust classified as: Available-for-sale	2,932,588

4. Money held in trust for which accounting for impairment was applied

For the securities (excluding shares, etc. that do not have a market price and investments in partnerships) that form part of the trust assets in money held in trust other than that 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 sheets and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized.

Impairment losses for the fiscal year ended March 31, 2023 amounted to ¥3,195 million.

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

However, domestic listed stocks, etc. are determined using the value calculated based on the average market price during the period of one month before the fiscal year-end, instead of the fair value in b) above.

## Revenue recognition

### 1. Disaggregation of revenue from contracts with customers

(Millions of yen)

	Fiscal year ended March 31, 2023
Fees and commissions:	172,957
Exchange and settlement-related fees	93,961
Other ordinary income	402
Revenue from contracts with customers	173,360

### 2. Useful information in understanding revenue

Main performance obligations in revenue from contracts with customers are the provision of exchange and settlement services, and the Group has an obligation to provide services every time its customer makes a request. The performance obligation is in principle deemed satisfied when an exchange transaction or a settlement is completed, and the Group recognizes revenue.

No estimate of significant variable consideration and financing component is included in revenue from contracts with customers.

### 3. Useful information in understanding revenue for the fiscal year ended March 31, 2023 and for the following fiscal years

Notes are omitted due to immateriality.

## Per share data

Net assets per share as of March 31, 2023 and net income attributable to owners of parent per share for the fiscal year then ended were as follows:

	(Yen)
Net assets per share <sup>(*)</sup> <sub>(***)</sub>	2,621.17
Net income attributable to owners of parent per share <sup>(**)</sup> <sub>(***)</sub>	86.84

\* Net assets per share is calculated using the net assets of ¥9,651,874 million, net of non-controlling interests of ¥36,780 million, divided by the number of common stock outstanding (excluding treasury stock) as of March 31, 2023 (3,668,236 thousand shares).

\*\* Net income attributable to owners of parent per share is calculated using the net income attributable to owners of parent of ¥325,070 million divided by the average number of common stock outstanding for the fiscal year ended March 31, 2023 (3,743,041 thousand shares).

\*\*\* To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2023 included 1,436 thousand shares of treasury stock held by the stock benefit trust.

To calculate net income attributable to owners of parent per share, the treasury stock deducted to calculate the average number of outstanding shares for the fiscal year ended March 31, 2023 included 1,350 thousand shares of treasury stock held by the stock benefit trust.

## Significant subsequent events

(Share Repurchase)

At the Board of Directors meeting held on February 27, 2023, the Bank passed a resolution on matters relating to the repurchase of its own shares pursuant to Article 39, Paragraph 1 of the Bank's Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act, and completed the repurchase on April 27, 2023.

### 1. Reason for the share repurchase

To improve capital efficiency and strengthen shareholder returns, etc.

### 2. Details of matters related to the repurchase

- |                                                             |                                                                                                     |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| (1) Class of shares to be repurchased:                      | Common stock of the Bank                                                                            |
| (2) Total number of shares to be repurchased:               | 90,000,000 shares (maximum)                                                                         |
| (3) Aggregate repurchase price of shares to be repurchased: | ¥80,000,000,000 (maximum)                                                                           |
| (4) Repurchase period:                                      | From March 22, 2023 to May 12, 2023<br>(excluding the period from March 27, 2023 to March 31, 2023) |
| (5) Method of repurchase:                                   | Market purchases under discretionary transaction contracts with respect to the repurchase of shares |

### 3. Details of the repurchase implemented

- |                                                       |                                                                                                       |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| (1) Class of shares repurchased:                      | Common stock of the Bank                                                                              |
| (2) Total number of repurchased shares:               | 72,418,800 shares                                                                                     |
| (3) Aggregate repurchase price of repurchased shares: | ¥79,999,985,300                                                                                       |
| (4) Repurchase period:                                | From March 22, 2023 to April 27, 2023<br>(excluding the period from March 27, 2023 to March 31, 2023) |
| (5) Method of repurchase:                             | Market purchases under discretionary transaction contracts with respect to the repurchase of shares   |