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Items Disclosed on Internet Pursuant to Laws and Regulations, and the Articles of Incorporation

Notes to Non-Consolidated Financial Statements

For the 10th Fiscal Year (from April 1, 2015 to March 31, 2016)

JAPAN POST BANK

Pursuant to laws and regulations, and the provision of Article 15 of the Articles of Incorporation, the items listed above are disclosed through postings on our website (http://www.jp-bank.japanpost.jp/en_index.html).

Notes to Non-Consolidated Financial Statements

Amounts less than one million yen are rounded down.

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 affiliates are stated at cost determined by the moving-average method.

Available-for-sale securities that are not classified as either of the aforementioned securities are primarily carried at the fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). However, available-for-sale securities that are deemed to be extremely difficult to determine a fair value are stated at cost determined by the moving-average method. Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are stated in a separate component of net assets.

(2) Securities invested in money held in trust are stated at fair value. The balance sheet amount is stated at the average market price of the final month of the fiscal year for equity securities and at the market price at the balance sheet date for other securities (the costs of other securities sold are determined primarily based on the moving-average method). Unrealized gains and losses on these securities, net of applicable income taxes, are stated in 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 by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

(2) Intangible fixed assets

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

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, released on July 4, 2012), 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 at the end of the fiscal year ended March 31, 2016. The method of attributing projected benefit obligation to the periods ending on or before March 31, 2016 is by the benefit formula basis.

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

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

6. Foreign currency transactions

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

7. 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. The Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets.

Evaluating the effectiveness of hedges, the Bank considers the hedges deemed 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, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains/losses on available-for-sale securities exposed to the risks of foreign exchange fluctuation risk.

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 hedging instruments are almost the same.

8. Consumption taxes

The Bank is subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.

9. Income Taxes

Prior to November 4, 2015, the Bank had adopted the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company. However, the Bank ceased to be a wholly-owned subsidiary of JAPAN POST HOLDINGS Co., Ltd. due to the listing of the Bank' shares on November 4, 2015 and therefore is no longer included in the consolidated taxation group designating JAPAN POST HOLDINGS Co., Ltd. as the consolidated parent company.

Accounting pronouncements issued but not yet adopted

The Bank plans to adopt the “Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26, released on March 28, 2016), as follows:

(1) Overview

The Guidance is basically a continuation of accounting treatments for recoverability of deferred tax assets prescribed within the JICPA Audit Committee Report No. 66, the “Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets,” but certain changes were made.

(2) Planned effective dates

The Bank will adopt the Guidance at the beginning of the fiscal year starting on April 1, 2016.

(3) Effect of adopting this accounting standard and guidance

The Bank is currently evaluating the effect of adopting the Guidance.

Notes related to non-consolidated balance sheet

1. The securities of affiliates totaled ¥1,385 million.
2. Japanese government bonds include ¥100,126 million of secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions).
   Among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements, that the Bank had the right to sell or pledge without restrictions, the Bank held ¥7,936,347 million of securities neither sold nor pledged as of March 31, 2016.
3. There were no loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more, or restructured loans.
   Loans to bankrupt borrowers refer to loans for which accrued interest is not recognized upon determination that collection or repayment of principal or interest is unlikely due to a delay in payment of principal or interest over a considerable period or for some other reasons (excluding the portion written down, hereinafter “non-accrual loans”) which satisfy the conditions stipulated in Article 96, Paragraph 1, Item 3, (a) through (e) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965) or Item 4 of the same Paragraph.
   Non-accrual delinquent loans refer to non-accrual loans other than the loans to bankrupt borrowers and the loans for which interest payments are deferred with the objective of restructuring businesses of the borrowers or supporting them.
   Past-due loans for three months or more refer to loans with principal or interest unpaid for three months or more after the day following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.
   Restructured loans refer to loans of which terms and conditions have been amended in favor of the borrowers, such as by a reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness, with the objective of restructuring businesses of the borrowers or supporting them, excluding the loans to bankrupt borrowers, non-accrual delinquent loans and past-due loans for three months or more.
4. Assets pledged as collateral and their relevant liabilities were as follows:

Assets pledged as collateral:	
Securities	¥31,168,369 million
Liabilities corresponding to assets pledged collateral:	
Deposits	¥18,983,827 million
Payables under repurchase agreements	¥554,522 million
Payables under securities lending transactions	¥13,123,558 million
Acceptances and guarantees	¥75,000 million

   In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions were substituted by securities of ¥4,264,448 million.
   “Other assets” included guarantee deposits of ¥1,932 million and pledged margins of ¥7,716 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 based on various terms and conditions stipulated in the relevant loan agreement. There was no unused commitment balance relating to these loan agreements.
6. Accumulated depreciation of tangible fixed assets was ¥154,736 million.
7. Monetary assets to affiliates totaled ¥40,296 million.

8. Monetary liabilities to affiliates totaled ¥366,988 million.
9. The Bank has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details were as follows:

One year or less	¥2,173 million
Over one year	¥139 million

10. “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 deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency. “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 affiliates was as follows:

Total fees and commissions income	¥1 million
Total other operating income and other ordinary income	¥11 million

Expenses on transactions with affiliates were as follows:

Total interest expenses	¥204 million
Other expenses	¥25,694 million

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	89.00% of the Bank's shares (direct)	
Nature of transactions	Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors	
Details of transactions	Payment of grants(*)	Payment of brand royalty fees(**)
Transaction amount	¥9,862 million	¥4,088 million
Account	—	Other liabilities
Outstanding balance at the end of the fiscal year	—	¥367 million

Transaction conditions and policies on determining transaction conditions, etc.

*Payment is made pursuant to Article 122 of the Postal Service Privatization Act.

** The Bank pays brand royalty fees for benefits received as a result of membership in the JAPAN POST GROUP, at the amount calculated by multiplying the representative performance metric i.e. average deposit balance for the previous fiscal year that reflects the benefits the Bank receives from the brand value of JAPAN POST GROUP by a certain rate.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

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

None

(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	¥609,431 million	¥978,196 million	— (***)	¥3,036 million	
Account	Other liabilities	Other assets(**)	Other liabilities (***)	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥54,736 million	¥940,000 million	¥3,917 million	¥287 million	¥40 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, 2016.

*** The figures represent the unsettled amount between the Bank and JAPAN POST Co., Ltd. in connection with receipt/payment operations with customers in bank agency services. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

**** Payment is made for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

Japan Post Information Technology Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil
Nature of transactions	Concurrent holding of positions by executive management directors Payment of IT system (PNET) service charge
Details of transactions	Payment of IT system (PNET) service charge (*)
Transaction amount	¥14,018 million
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥1,303 million

Transaction conditions and policies on determining transaction conditions, etc.

* Payment is made for data processing services using JAPAN POST GROUP internal networks at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

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

None

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

1. Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2016 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
Shares issued					
Common stock	150,000	4,350,000	–	4,500,000	(*) (**)
Treasury stock					
Common stock	25,017	725,507	–	750,525	(*) (***)

* The Bank conducted a stock split effective on August 1, 2015, under which each share of common stock was split into 30 shares.

** An increase of 4,350,000 thousand issued shares of common stock is due to a stock split.

*** An increase of 725,507 thousand shares of treasury stock of common stock is due to a stock split.

2. Dividends

(1) Dividends distributed during the fiscal year ended March 31, 2016

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 11, 2015 at the meeting of the Board of Directors	Common stock	¥184,717	¥1,477.95	March 31, 2015	May 12, 2015

(2) Dividends with the record date within the fiscal year ended March 31, 2016 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 13, 2016 at the meeting of the Board of Directors	Common stock	¥93,736	Retained earnings	¥25.00	March 31, 2016	June 22, 2016

Financial instruments

1. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

The Bank'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 Bank raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds, which consist of Japanese government bonds, etc., and foreign bonds, etc., as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate 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 Bank including affecting the stability of its earnings. The Bank 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 Bank 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 Bank 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 Bank are securities including Japanese bonds, which consist of Japanese government bonds, etc., and foreign bonds, etc. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amounts of these investments are less than those of bonds and other securities.

From the viewpoints of the Bank's ALM, the Bank utilizes interest rate swaps as hedging instruments for interest rate-related instruments 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 instruments, the Bank 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 Bank and related yen translation amounts of redemption of principal and interest.

Derivatives which meet certain requirements are accounted for by the hedge accounting method to control the effect on financial accounting within a fixed range when utilizing derivatives for hedging purposes.

The hedging instruments, the hedged items, the hedging policy, and the way to evaluate the effectiveness of hedges are included in the section "Significant accounting policies 7. 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 Bank 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 Bank 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 Bank has set credit limits for individual companies and corporate groups according to their creditworthiness, as well as credit guidelines for countries and areas, and monitors the portfolios in an appropriate manner by adhering to these limits and guidelines.

The Risk Management Department oversees the Bank's internal credit rating system, self-assessments of loans, and other credit risk management activities. 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 Bank's ALM policy, the Bank makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, share price and other fluctuations. However, based on internal guidelines regarding market risk management, the Bank measures the amount of market risk using the VaR statistical method. The Bank 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 Bank or transactions undertaken by the Bank 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 Bank measures and manages market risk using the VaR method. For its market risk measurement model, the Bank uses a historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; observation period of 1,200 operating days (five years)). For liability measurement, the Bank uses its own internal model.

As of March 31, 2016, the Bank calculates the amounts of its market risk volume (estimated potential losses from such risk) at ¥1,790,459 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 Bank 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 Bank has a distinctive asset and liability structure, with Japanese government bonds accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Bank's profit structure, the Bank 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 Bank 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 Bank'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 Bank 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 Bank determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

2. Notes related to the fair value of financial instruments

The amounts on the balance sheet, the fair values, and the differences between the two as of March 31, 2016, were as follows:

(Millions of yen)

	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	45,895,068	45,895,068	—
(2) Call loans	978,837	978,837	—
(3) Receivables under securities borrowing transactions	7,923,229	7,923,229	—
(4) Monetary claims bought	178,509	178,509	—
(5) Trading account securities:			
Securities classified as trading purposes	187	187	—
(6) Money held in trust	3,561,110	3,561,110	—
(7) Securities:			
Held-to-maturity securities	52,052,553	54,232,814	2,180,260
Available-for-sale securities	92,022,889	92,022,889	—
(8) Loans:	2,542,049		
Reserve for possible loan losses (*)	(112)		
	2,541,936	2,618,044	76,107
Total assets	205,154,323	207,410,691	2,256,368
(1) Deposits	177,871,986	178,326,145	454,159
(2) Call money	22,536	22,536	—
(3) Payables under repurchase agreements	554,522	554,522	—
(4) Payables under securities lending transactions	13,123,558	13,123,558	—
Total liabilities	191,572,602	192,026,762	454,159
Derivative transactions (**):			
For which hedge accounting is not applied	(42)	(42)	—
For which hedge accounting is applied	(617,602)	(617,602)	—
Total derivative transactions	(617,644)	(617,644)	—

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

** Figures are total derivative transactions recorded as other assets or other liabilities.

The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.

Hedges covered by designation of foreign exchange forward contracts, etc., are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

(Note 1) Valuation methodology for financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Bank uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

(2) Call loans, (3) Receivables under securities borrowing transactions

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

(4) Monetary claims bought

The Bank uses the price provided by a broker, etc., as the fair value.

(5) Trading account securities

The Bank uses the purchase price provided by the Bank of Japan as the fair value.

(6) Money held in trust

For invested securities representing trust assets in money held in trust, the Bank uses the price at the exchange market for equities and the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value.

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

(7) Securities

For bonds, the Bank uses the price at the exchange market, the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by a broker, etc., as the fair value. The Bank uses the funds' unit price for investment trust as the fair value.

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

(8) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value. For fixed-rate loans, the Bank calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.

For loans that are limited to within a designated percentage of the amount of pledged assets, such as loans secured by deposit, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

Liabilities

(1) Deposits

For demand deposits including transfer deposits and ordinary deposits, the Bank uses the amount that might be paid on demand at the balance sheet date (the book value) as the fair value.

For fixed-term deposits including time deposits and TEIGAKU deposits, the Bank classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Bank uses the interest rates on newly accepted fixed-term deposits as the discount rates.

(2) Call money, (3) Payables under repurchase agreements, (4) Payables under securities lending transactions

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest rate swaps) and currency-related transactions (foreign exchange forward contracts, currency swaps), and the Bank calculates the fair value using the discounted present value.

(Note 2) The amount on the balance sheet of financial instruments for which the Bank deems it extremely difficult to determine a fair value was as follows. The fair value information for these financial instruments is not included in “Assets (7) Securities.”

(Millions of yen)

Type	Amount on the balance sheet
Unlisted stocks	1,390

(Note 3) Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal year ended March 31, 2016 were as follows:

(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
Due from banks	45,744,305	―	―	―	―	―
Call loans	978,837	―	―	―	―	―
Receivables under securities borrowing transactions	7,923,229	―	―	―	―	―
Monetary claims bought	231	59,492	58,419	13,967	4,127	40,682
Securities:	20,452,422	28,312,168	26,576,377	26,177,950	11,123,454	3,136,305
Held-to-maturity securities	13,722,776	13,345,184	7,475,531	15,010,261	2,491,809	―
Available-for-sale securities (with maturity date)	6,729,646	14,966,983	19,100,846	11,167,689	8,631,645	3,136,305
Loans	639,309	666,103	565,443	297,496	259,503	110,902
Total	75,738,336	29,037,763	27,200,240	26,489,414	11,387,085	3,287,890

(Note 4) Scheduled repayment amounts of interest-bearing liabilities subsequent to the fiscal year ended March 31, 2016 were as follows:

(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 (*)	81,802,034	30,948,556	20,184,082	18,310,254	26,627,057	—
Call money	22,536	—	—	—	—	—
Payables under repurchase agreements	554,522	—	—	—	—	—
Payables under securities lending transactions	13,123,558	—	—	—	—	—
Total	95,502,651	30,948,556	20,184,082	18,310,254	26,627,057	—

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

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 Japanese government bonds, Japanese local government bonds, commercial paper, Japanese corporate bonds, Japanese stocks, and other securities listed on the balance sheet.

1. Trading account securities as of March 31, 2016

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, 2016

(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	47,897,398	49,960,430	2,063,032
	Japanese local government bonds	341,147	345,102	3,954
	Japanese corporate bonds	3,714,191	3,824,895	110,703
	Others:	96,744	127,414	30,670
	Foreign bonds	96,744	127,414	30,670
	Total	52,049,482	54,257,843	2,208,360
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	3,071	3,070	(1)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	3,071	3,070	(1)
Total		52,052,553	54,260,913	2,208,359

3. Investments in subsidiaries, etc. and affiliates, etc. as of March 31, 2016

There were no investments in subsidiaries, etc.

The securities of affiliates, etc. (¥1,385 million) were all unlisted, and did not have a market price. Since it was extremely difficult to determine a fair value of the securities, the fair value and the difference were not disclosed.

4. Available-for-sale securities whose fair value is available as of March 31, 2016

(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:	46,170,593	44,130,814	2,039,779
	Japanese government bonds	34,347,751	32,602,907	1,744,843
	Japanese local government bonds	5,310,013	5,183,963	126,049
	Commercial paper	—	—	—
	Japanese corporate bonds	6,512,828	6,343,942	168,886
	Others:	24,013,886	21,735,717	2,278,168
	Foreign bonds	15,212,996	13,060,269	2,152,726
	Investment trusts (**)	8,717,363	8,593,353	124,009
	Total	70,184,479	65,866,532	4,317,947
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	553,471	555,415	(1,944)
	Japanese government bonds	10,504	10,594	(90)
	Japanese local government bonds	205,348	205,654	(305)
	Commercial paper	204,995	204,995	—
	Japanese corporate bonds	132,622	134,171	(1,548)
	Others:	21,548,447	21,991,967	(443,519)
	Foreign bonds	4,519,763	4,704,621	(184,858)
	Investment trusts (**)	16,803,603	17,055,683	(252,080)
	Total	22,101,919	22,547,383	(445,464)
Total		92,286,398	88,413,915	3,872,483

* Of the difference shown above, ¥35,341 million is included in the statement of income as losses because of the application of fair value hedge accounting.

** Investment trusts are mainly invested in foreign bonds.

Note: Available-for-sale securities that are deemed to be extremely difficult to determine a fair value were as follows.

(Millions of yen)

	Amount on the balance sheet
Japanese stocks	5

Since these securities did not have a market price and it was extremely difficult to determine a fair value, they are not included in “Available-for-securities whose fair value is available” shown above.

5. Held-to-maturity securities sold during the fiscal year ended March 31, 2016

There were no held-to-maturity securities sold during the fiscal year ended March 31, 2016.

6. Available-for-sale securities sold during the fiscal year ended March 31, 2016

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Bonds:	8,750,645	6,357	(681)
Japanese government bonds	8,749,632	6,357	(594)
Japanese corporate bonds	1,013	―	(86)
Others:	1,052,715	9,828	(10,426)
Foreign bonds	902,605	6,596	(10,426)
Investment trusts	150,109	3,232	―
Total	9,803,360	16,185	(11,107)

7. Securities for which accounting for impairment was applied

For securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the 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, 2016.

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

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, 2016
   The Bank did not hold money held in trust for the purpose of trading.

2. Money held in trust for the purpose of held-to-maturity as of March 31, 2016
   The Bank did not hold money held in trust for the purpose of held-to-maturity.

3. Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2016

(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	3,561,110	2,677,221	883,889	897,609	(13,720)

Notes: 1. The amount on the balance sheet is stated at the average market price of the final month for the fiscal year for equity securities and at the market price on the balance sheet date for other securities.
2. "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.

4. Money held in trust for which accounting for impairment was applied
   For the money held in trust (excluding money held in trust for the purpose of trading) that are under management as trust assets, 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 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, 2016 amounted to ¥1,588 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

Deferred tax assets/liabilities

1. The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2016 were as follows:

	(Millions of yen)
Deferred tax assets:	
Reserve for possible loan losses	131
Reserve for employees' retirement benefits	45,887
Depreciation	9,720
Accrued interest on deposits	574
Unrealized losses of money held in trust	1,698
Net deferred losses on hedges	185,373
Accrued enterprise taxes	3,786
Other	21,134
Total deferred tax assets	268,307
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(1,468,886)
Other	(10,707)
Total deferred tax liabilities	(1,479,594)
Net deferred tax assets (liabilities)	(1,211,286)

2. The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016), and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted by Japanese Diet on March 29, 2016, and accordingly, the corporate income tax rate, etc. has been reduced from fiscal years beginning on or after April 1, 2016. As a result, the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities has been revised from 32.26% to 30.86% for the temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and April 1, 2017, and to 30.62% for the temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2018. In response to this change in the tax rates, deferred tax liabilities decreased by ¥63,350 million, net unrealized gains on available-for-sale securities increased by ¥76,963 million and deferred income taxes increased by ¥3,709 million.

Per share data

Net assets per share as of March 31, 2016 and net income per share for the fiscal year then ended were as follows:

	(Yen)
Net assets per share (*)(**)	3,069.26
Net income per share (*)(***)	86.69

* The Bank conducted a stock split effective on August 1, 2015, under which each share of common stock was split into 30 shares. However, the Bank's calculation of the net assets per share and net income per share are based on the assumption that the stock split was effective at the beginning of the fiscal year ended March 31, 2016.

** "Net assets per share" is calculated using the net assets of ¥11,508,150 million divided by the number of common stock outstanding (excluding treasury stock) at the end of the fiscal year ended March 31, 2016 (3,749,475 thousand shares).

*** "Net income per share" is calculated using the net income of ¥325,069 million divided by the average number of common stock outstanding for the fiscal year ended March 31, 2016 (3,749,475 thousand shares).

Profit or loss from equity method, etc.

The details for the fiscal year ended March 31, 2016 were as follows:

	(Millions of yen)
Investments in affiliates	1,385
Investments, if equity method was adopted	1,472
Investment gains (losses), if equity method was adopted	(9)