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

1) Notes to Non-Consolidated Financial Statements
2) Notes to Consolidated Financial Statements

For the 14th Fiscal Year (from April 1, 2019 to March 31, 2020)

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 (https://www.jp-bank.japanpost.jp/en_index.html).

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, as a general principle, stated at fair value based on the market price prevailing at the fiscal year-end, etc. (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) Of the securities included in trust assets in money held in trust, equity securities are stated at fair value based on the average market price for the period of one month before the fiscal year-end, etc. while other securities are stated at fair value based on the market price prevailing at the fiscal year-end, etc. (cost of securities sold is calculated using primarily the moving-average method). However, 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 on money held in trust classified as available-for-sale 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 March 17, 2020), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

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

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

(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, 2020. The method of attributing projected benefit obligation to the periods ending on or before March 31, 2020 is by the benefit formula basis.

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

Actuarial gains and losses are amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period, from the following 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 depositor's requests for refunds in relation to deposits that are no longer recorded as liabilities, is recorded in the amount of expected losses to be incurred, which is estimated based on future requests for refunds.

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.

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" (Report No. 24 of the Industry Audit Committee of JICPA, released on February 13, 2002).

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

In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the 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.

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.

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, released on March 26, 2015).

(1) Overview of transactions

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

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

(2) Residual shares remaining in the trust

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

(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, released on March 26, 2015).

(1) Overview of transactions

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

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

(2) Residual shares remaining in the trust

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

Notes related to non-consolidated balance sheet

1. The securities and investments of subsidiaries and affiliates totaled ¥22,105 million.
2. Japanese government bonds include a total of ¥1,939,840 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 ¥64,499 million of securities (re-)pledged and ¥5,394,231 million of those neither sold nor pledged as of March 31, 2020.
3. There were no loans to bankrupt borrowers, past-due loans for three months or more, and 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.
   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. Of loans, the amount of non-accrual delinquent loans was ¥0 million.
   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.
5. The amount of loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more and restructured loans combined was ¥0 million.
6. Assets pledged as collateral and their relevant liabilities were as follows:

Assets pledged as collateral:	
Securities	¥17,492,933 million
Liabilities corresponding to assets pledged as collateral:	
Deposits	¥939,049 million
Payables under repurchase agreements	¥14,841,880 million
Payables under securities lending transactions	¥2,168,924 million
Borrowed money	¥10,100 million

   In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions, etc. were substituted by securities of ¥1,494,137 million.
   "Other assets" included guarantee deposits of ¥1,948 million, margins with central counterparty of ¥692,575 million and other margins, etc. of ¥13,028 million, respectively.
7. 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 ¥49,700 million as of March 31, 2020. Of this amount, there were ¥20,000 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, 2020.

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. 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.

8. Accumulated depreciation of tangible fixed assets was ¥179,265 million.
9. Monetary assets to parent company, subsidiaries, and affiliates totaled ¥168 million.
10. Monetary liabilities to parent company, subsidiaries, and affiliates totaled ¥288,257 million.
11. 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	¥406 million
Over one year	¥149 million

12. "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:

Total interest income	¥213 million
Total fees and commissions income	¥663 million
Total other operating income and other ordinary income	¥12 million

Expenses on transactions with parent company, subsidiaries, and affiliates were as follows:

Total interest expenses	¥0 million
Other expenses	¥18,005 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 Payment of IT system (PNET) service charge	
Details of transactions	Payment of brand royalty fees (*)	Payment of IT system (PNET) service charge (**)
Transaction amount	¥4,169 million	¥2,002 million
Account	Other liabilities	Other liabilities
Outstanding balance at the end of the fiscal year	¥382 million	¥454 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 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.

(2) Transactions between the Bank and 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	¥369,716 million	¥868,934 million	— (***)	¥3,156 million	
Account	Other liabilities	Other assets(**)	Other assets (***)	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥34,555 million	¥810,000 million	¥3,160 million	¥315 million	¥89 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, 2020.

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

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

Notes: 1. Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

2. In addition to the above transactions, pursuant to the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network, from the fiscal year ended March 31, 2020, basic costs necessary to maintain the post office network (except for those incurred by JAPAN POST Co., Ltd.) are covered by the subsidy from the Organization for Postal Savings, Postal Life Insurance and Post Office Network granted to JAPAN POST Co., Ltd. The subsidy has been funded by contributions from the Bank and JAPAN POST INSURANCE Co., Ltd. The contribution made by the Bank for the fiscal year ended March 31, 2020 was ¥237,820 million.

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	¥16,814 million
Account	Accrued expenses

Outstanding balance at the end of the fiscal year	¥1,241 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

Type and number of treasury stock for the fiscal year ended March 31, 2020 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
Treasury stock					
Common stock	751,208	308	309	751,207	(*) (**) (***)

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

** The increase in 308 thousand shares of treasury stock was due to the acquisition of 308 thousand shares of treasury stock by the stock benefit trust and the purchase of 0 thousand shares constituting less than one unit.

*** The decrease of 309 thousand shares of treasury stock was due to the grant of 309 thousand share of benefits by the stock benefit trust.

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

1. Trading account securities as of March 31, 2020

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, 2020

(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	20,804,000	21,279,726	475,726
	Japanese local government bonds	546,335	549,334	2,998
	Japanese corporate bonds	1,250,441	1,267,850	17,409
	Total	22,600,777	23,096,911	496,134
Those for which the fair value does not exceed the amount on the balance sheet	Japanese government bonds	234,148	233,940	(208)
	Japanese local government bonds	600,452	599,119	(1,332)
	Japanese corporate bonds	735,330	731,575	(3,754)
	Total	1,569,931	1,564,634	(5,296)
Total		24,170,708	24,661,546	490,838

3. Investments in subsidiaries and affiliates as of March 31, 2020

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

(Note) Investments in subsidiaries and affiliates that are deemed to be extremely difficult to determine a fair value were as follows:

(Millions of yen)

	Amount on the balance sheet
Investments in subsidiaries	21,890
Investments in affiliates	214
Total	22,105

4. Available-for-sale securities whose fair value is available as of March 31, 2020

(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:	38,512,761	37,607,986	904,775
	Japanese government bonds	30,054,591	29,222,557	832,033
	Japanese local government bonds	4,060,016	4,033,405	26,611
	Commercial paper	—	—	—
	Japanese corporate bonds	4,398,154	4,352,023	46,130
	Others:	17,336,223	16,087,226	1,248,996
	Foreign bonds	13,386,880	12,368,771	1,018,109
	Investment trusts (**)	3,758,275	3,529,533	228,742
	Total	55,848,985	53,695,213	2,153,772
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	6,854,219	6,901,858	(47,638)
	Japanese government bonds	2,543,373	2,581,183	(37,810)
	Japanese local government bonds	779,544	780,480	(935)
	Commercial paper	806,975	806,975	—
	Japanese corporate bonds	2,724,326	2,733,218	(8,892)
	Others:	46,960,122	49,818,126	(2,858,003)
	Foreign bonds	10,319,989	10,908,673	(588,683)
	Investment trusts (**)	36,450,387	38,719,545	(2,269,158)
	Total	53,814,342	56,719,984	(2,905,642)
Total		109,663,327	110,415,197	(751,869)

* Of the difference shown above, ¥308,341 million losses were included in the statement of income by 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
Investment trusts	1,692,354
Investments in partnerships	30,772
Total	1,723,131

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

5. Held-to-maturity securities sold during the fiscal year ended March 31, 2020

There were no held-to-maturity securities sold during the fiscal year ended March 31, 2020.

6. Available-for-sale securities sold during the fiscal year ended March 31, 2020

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	98,055	8,143	(1,868)
Bonds:	988,246	6,217	(2,651)
Japanese government bonds	985,609	6,217	(2,578)
Japanese corporate bonds	2,637	—	(72)
Others:	1,148,749	19,518	(9,427)
Foreign bonds	341,093	4,531	—
Investment trusts	807,655	14,987	(9,427)
Total	2,235,051	33,879	(13,946)

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. Impairment losses for the fiscal year ended March 31, 2020 amounted to ¥20 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

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, 2020
   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, 2020
   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, 2020

(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	4,181,926	3,366,562	815,364	869,238	(53,874)

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 that is deemed to be extremely difficult to determine a fair value were as follows:

(Millions of yen)

	Amount on the balance sheet
Money held in trust classified as: Available-for-sale	367,810

Since these money held in trust did not have a market price and they were extremely difficult to determine a fair value, they are not included in "Money held in trust (excluding trading and held-to-maturity purposes)" shown above.

4. Money held in trust for which accounting for impairment was applied
   For securities with market quotations invested in the money held in trust (excluding money held in trust for the purpose of trading), whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the 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, 2020 amounted to ¥9,212 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

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2020 were as follows:

(Millions of yen)

Deferred tax assets:	
Reserve for possible loan losses	7
Reserve for employees' retirement benefits	43,373
Accrued enterprise taxes	3,222
Net deferred losses on hedges	144,765
Reserve for reimbursement of deposits	24,599
Depreciation	8,773
Software in progress	2,078
Unrealized losses of money held in trust	1,680
Other	20,270
Total deferred tax assets	248,769
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(113,396)
Other	(7,709)
Total deferred tax liabilities	(121,106)
Net deferred tax assets (liabilities)	127,662

Per share data

Net assets per share as of March 31, 2020 and net income per share for the fiscal year then ended were as follows:

	(Yen)
Net assets per share (*)(***)	2,397.47
Net income per share (**)(***)	72.83

* Net assets per share is calculated using the net assets of ¥8,987,651 million divided by the number of common stock outstanding (excluding treasury stock) as of March 31, 2020 (3,748,792 thousand shares).

** Net income per share is calculated using the net income of ¥273,044 million divided by the average number of common stock outstanding for the fiscal year ended March 31, 2020 (3,748,764 thousand shares).

*** To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2020 included 682 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, 2020 included 710 thousand shares of treasury stock held by the stock benefit trust.

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 of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries: 4

Principal company

Japan Post Investment Corporation

SDP CENTER Co., Ltd.

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

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

2. Application of the equity method

Affiliates accounted for by the equity-method: 2

Principal companies

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

As stated above 1., SDP CENTER Co., Ltd. was excluded from the scope of equity method application.

3. Fiscal years of consolidated subsidiaries

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

December 31: 2

March 31: 2

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

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, as a general principle, stated at fair value based on the market price prevailing at the fiscal year-end, etc. (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.

(ii) Of the securities included in trust assets in money held in trust, equity securities are stated at fair value based on the average market price for the period of one month before the fiscal year-end, etc. while other securities are stated at fair value based on the market price prevailing at the fiscal year-end, etc. (cost of securities sold is calculated using primarily the moving-average method). However, 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 on money held in trust classified as available-for-sale are stated in 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 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.

(ii) 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) 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 March 17, 2020), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

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

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

(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 depositor's requests for refunds in relation to deposits that are no longer recorded as liabilities, is recorded in the amount of expected losses to be incurred, which is estimated based on future requests for refunds.

(10) Employees' retirement benefits

The method of attributing projected benefit obligation to the periods ending on or before March 31, 2020 is by the benefit formula basis.

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

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

(11) Foreign currency transactions

Foreign currency denominated assets and liabilities of the Bank and its consolidated subsidiaries (hereafter the "Group") are translated into Japanese yen principally at the exchange rates in effect at the consolidated balance sheet date.

(12) 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. The Group applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets.

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

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

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

(ii) Hedging against foreign exchange fluctuation risks

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

In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the Group applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies. In case of the individual hedges, the Group considers its hedges to be highly effective because the Group designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

(13) Consumption taxes

The Bank and its domestic consolidated subsidiaries are subject to Japan’s national and local consumption taxes. Japan’s national and local consumption taxes are excluded from transaction amounts.

Accounting pronouncements issued but not yet adopted

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

(1) Overview

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

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

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

(2) Scheduled date of application

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

(3) Impact from the application of these accounting standards

Estimation of the impact was underway at the time when these consolidated financial statements were being prepared.

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

(1) Overview

This standard requires to present an overview of the policy of accounting treatment and procedure that management has applied to a transaction, other event, or condition when it is uncertain about an accounting standard or interpretation specifically applied to that item.

(2) Scheduled date of application

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

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

(1) Overview

This standard requires to disclose information that helps readers of the consolidated financial statements understand the details of the accounting estimates used for the amounts reported on the consolidated financial statements for the current fiscal year, that are posing a risk of exerting significant impact on items on the consolidated financial statements for the following fiscal year.

(2) Scheduled date of application

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

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, released on March 26, 2015).

(1) Overview of transactions

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

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

(2) Residual shares remaining in the trust

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

(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, released on March 26, 2015).

(1) Overview of transactions

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

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

(2) Residual shares remaining in the trust

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

Notes related to consolidated balance sheet

1. The securities and investments of affiliates (excluding securities and investments of consolidated subsidiaries) totaled ¥701 million.
2. Japanese government bonds in "Securities" include ¥1,939,840 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 ¥64,499 million of securities (re-)pledged and ¥5,394,231 million of those neither sold nor pledged as of March 31, 2020.
3. There were no loans to bankrupt borrowers, past-due loans for three months or more, and 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.
   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. Of loans, the amount of non-accrual delinquent loans was ¥0 million
   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.
5. The amount of loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more and restructured loans combined was ¥0 million.
6. Assets pledged as collateral and their relevant liabilities were as follows:

Assets pledged as collateral:	
Securities	¥17,492,933 million
Liabilities corresponding to assets pledged as collateral:	
Deposits	¥939,049 million
Payables under repurchase agreements	¥14,841,880 million
Payables under securities lending transactions	¥2,168,924 million
Borrowed money	¥10,100 million

   In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions, etc. were substituted by securities of ¥1,494,137 million.
   "Other assets" included margins for future transactions of ¥147,125 million, guarantee deposits of ¥2,046 million, cash collateral paid for financial instruments of ¥292,377 million, margins with central counterparty of ¥692,575 million and other margins, etc. of ¥13,028 million, respectively.
7. Contracts of overdraft facilities and loan commitments are contracts with customers to lend

funds up to a certain limit agreed in advance. The Group will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated. The unused commitment balance relating to these loan agreements amounted to ¥49,700 million as of March 31, 2020. Of this amount, there were ¥20,000 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, 2020.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows of the Group. Conditions are included in certain loan agreements that allow the Group to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Group's credit. At the inception of contracts, the Group has the obligor pledge collateral to the Group in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Group reviews the obligor's financial condition in accordance with the Bank's (or the subsidiaries') established internal procedures and takes necessary measures to protect their credit.

8. Accumulated depreciation of tangible fixed assets was ¥179,600 million.
9. The Group has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details were as follows:

One year or less	¥406 million
Over one year	¥149 million

Notes related to consolidated statement of income

1. "Other ordinary income" included the following:

Gains on sales of stocks and other securities	¥23,131 million
Gains on money held in trust	¥75,239 million

Notes related to consolidated statement of changes in net assets

1. Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2020 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	4,500,000	—	—	4,500,000	
Treasury stock					
Common stock	751,208	308	309	751,207	(*)(**) (***)

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

** The increase of 308 thousand shares of treasury stock was due to the acquisition of 308 thousand shares of treasury stock by the stock benefit trust and the purchase of 0 thousand shares constituting less than one unit.

*** The decrease of 309 thousand shares of treasury stock was due to the grant of 309 thousand shares of benefits by the stock benefit trust.

2. Dividends

(1) Dividends distributed during the fiscal year ended March 31, 2020

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 15, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	March 31, 2019	June 19, 2019
November 14, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	September 30, 2019	December 6, 2019

(Note) The total amount of dividends resolved by the Board of Directors' meetings held on May 15, 2019 and November 14, 2019 included dividends of ¥17 million and ¥17 million, respectively, for the Bank's shares held by the stock benefit trust.

(2) Dividends with the record date within the fiscal year ended March 31, 2020 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, 2020 at the meeting of the Board of Directors	Common stock	¥93,736	Retained earnings	¥25.00	March 31, 2020	June 17, 2020

(Note) The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2020 included dividends of ¥17 million 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 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 Group's ALM, the Group utilizes interest rate swaps as hedging instruments for interest rate-related transactions to avoid the risks of changes in future economic values and interest rates (cash flows) of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related transactions, the Group utilizes currency swaps and others as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency-denominated securities held by the Group and related yen translation amounts of redemption of principal and interest.

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

The hedging instruments, the hedged items, the hedging policy, and the way to evaluate the effectiveness of hedges are included in the section "Significant accounting policies for preparing of consolidated financial statements 4. Accounting policies (12) 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, share price and other fluctuations. However, based on internal guidelines regarding market risk management, the Group measures the amount of market risk using the VaR statistical method. The Group sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

The main financial instruments held by the Group or transactions undertaken by the Group that are affected by changes in variable components of major market risk (interest rates, currency exchange rates, stock prices) are call loans, monetary claims bought, money held in trust, securities, loans, deposits and derivative transactions.

The Group measures and manages market risk using the VaR method. For its market risk measurement model, the Group uses a historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; observation period of 1,200 operating days (five years)). For liability measurement, the Group uses its own internal model.

As of March 31, 2020, the Group calculates the amounts of its market risk volume (estimated potential losses from such risk) at ¥2,925,366 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 Japanese government bonds, etc. accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Group's profit structure, the Group closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

Policy with regard to its ALM is discussed and determined at meetings of the Executive Committee, and the status of its implementation is reported to the ALM Committee and the Executive Committee.

The Group manages market risk that arises from derivative transactions by separating the responsibilities of executing transactions, evaluating the effectiveness of hedges and operational management, and by establishing an internal control structure, based on internal guidelines related to derivatives.

(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 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 consolidated balance sheet, the fair values, and the differences between the two as of March 31, 2020, were as follows:

(Millions of yen)

	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	51,665,251	51,665,251	—
(2) Call loans	1,040,000	1,040,000	—
(3) Receivables under resale agreements	9,731,897	9,731,897	—
(4) Receivables under securities borrowing transaction	112,491	112,491	—
(5) Monetary claims bought	315,812	315,812	—
(6) Trading account securities:			
Securities classified as trading purposes	31	31	—
(7) Money held in trust	4,181,926	4,179,289	(2,637)
(8) Securities:			
Held-to-maturity securities	24,170,708	24,661,546	490,838
Available-for-sale securities	109,282,514	109,282,514	—
(9) Loans:	4,961,733		
Reserve for possible loan losses (*)	(104)		
	4,961,628	4,969,048	7,419
Total assets	205,462,263	205,957,884	495,620
(1) Deposits	183,001,984	183,046,848	44,863
(2) Payables under repurchase agreements	14,855,624	14,855,624	—
(3) Payables under securities lending transactions	2,219,384	2,219,384	—
(4) Borrowed money	10,100	10,100	—
Total liabilities	200,087,094	200,131,957	44,863
Derivative transactions (**):			
For which hedge accounting is not applied	158	158	—
For which hedge accounting is applied	(542,100)	(542,100)	—
Total derivative transactions	(541,942)	(541,942)	—

* 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.

(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 Group uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

(2) Call loans, (3) Receivables under resale agreements, (4) Receivables under securities borrowing transaction

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

(5) Monetary claims bought

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

(6) Trading account securities

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

(7) Money held in trust

For the securities representing trust assets in money held in trust, the Group uses the price at the exchange market for stocks and the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value. For derivative transactions, the Group uses prices, etc. quoted by information vendors as the fair value. For loans, the Group calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.

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

(8) Securities

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

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

(9) Loans

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

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

Liabilities

(1) Deposits

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

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

(2) Payables under repurchase agreements, (3) 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 Group uses the book value as the fair value.

(4) 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 assumed rate applied to a similar loan. The fair value of borrowed money on a short-term contract (due within one year) is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest rate swaps), currency-related transactions (foreign exchange forward contracts, currency swaps), stock-related transactions (stock index futures), bond-related transactions (bond futures), and credit derivative transactions (credit default swaps), etc., and the Group calculates the fair value using the price at the exchange market and the discounted present value, etc.

(Note 2) The amount on the consolidated balance sheet of financial instruments for which the Group deems it extremely difficult to determine a fair value was as follows. The fair value information for these financial instruments is not included in “(7) Money held in trust” and “(8) Securities” in total assets.

(Millions of yen)

Type	Amount on the consolidated balance sheet
Money held in trust (*)	367,810
Securities	
Unlisted stocks (**)	10,654
Investment trusts (***)	1,692,354
Investments in partnerships (****)	48,333
Total	2,119,152

* Money held in trust, within which the trust asset components were deemed to be extremely difficult to determine a fair value such as private REIT, is not included in the scope of fair value disclosures.

** Unlisted stocks are not included in the scope of fair value disclosures because they did not have a market price and it was deemed to be extremely difficult to determine a fair value.

*** Investment trusts, within which the trust asset components were deemed to be extremely difficult to determine a fair value such as unlisted stocks, are not included in the scope of fair value disclosures.

**** Investments in partnerships are not included in the scope of fair value disclosures because they consisted of partnership asset components such as unlisted stocks which were deemed to be extremely difficult to determine a fair value.

(Note 3) Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal year ended March 31, 2020 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	51,331,877	—	—	—	—	—
Call loans	1,040,000	—	—	—	—	—
Receivables under resale agreements	9,731,897	—	—	—	—	—
Receivables under securities borrowing transaction	112,491	—	—	—	—	—
Monetary claims bought	12,044	20,356	23,836	76,319	34,107	147,088
Securities:	14,590,455	30,762,339	15,555,202	6,699,997	10,015,666	15,367,944
Held-to-maturity securities	2,753,916	15,129,805	3,149,289	252,456	1,378,045	1,500,061
Available-for-sale securities (with maturity date)	11,836,538	15,632,534	12,405,913	6,447,540	8,637,620	13,867,883
Loans	3,155,471	616,403	387,376	237,915	288,340	270,443
Total	79,974,238	31,399,099	15,966,415	7,014,232	10,338,114	15,785,477

(Note 4) Scheduled repayment amounts of interest-bearing liabilities subsequent to the fiscal year ended March 31, 2020 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 (*)	105,874,459	15,016,765	13,244,338	15,125,567	33,740,852	—
Payables under repurchase agreements	14,855,624	—	—	—	—	—
Payables under securities lending transactions	2,219,384	—	—	—	—	—
Borrowed money	5,100	2,600	2,400	—	—	—
Total	122,954,569	15,019,365	13,246,738	15,125,567	33,740,852	—

* 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 securities listed on the consolidated balance sheet.

1. Trading account securities as of March 31, 2020

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

2. Held-to-maturity securities as of March 31, 2020

(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	20,804,000	21,279,726	475,726
	Japanese local government bonds	546,335	549,334	2,998
	Japanese corporate bonds	1,250,441	1,267,850	17,409
	Total	22,600,777	23,096,911	496,134
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	234,148	233,940	(208)
	Japanese local government bonds	600,452	599,119	(1,332)
	Japanese corporate bonds	735,330	731,575	(3,754)
	Total	1,569,931	1,564,634	(5,296)
Total		24,170,708	24,661,546	490,838

3. Available-for-sale securities whose fair value is available as of March 31, 2020

(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:	38,512,761	37,607,986	904,775
	Japanese government bonds	30,054,591	29,222,557	832,033
	Japanese local government bonds	4,060,016	4,033,405	26,611
	Commercial paper	—	—	—
	Japanese corporate bonds	4,398,154	4,352,023	46,130
	Others:	17,336,223	16,087,226	1,248,996
	Foreign bonds	13,386,880	12,368,771	1,018,109
	Investment trusts (**)	3,758,275	3,529,533	228,742
	Total	55,848,985	53,695,213	2,153,772
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Bonds:	6,854,219	6,901,858	(47,638)
	Japanese government bonds	2,543,373	2,581,183	(37,810)
	Japanese local government bonds	779,544	780,480	(935)
	Commercial paper	806,975	806,975	—
	Japanese corporate bonds	2,724,326	2,733,218	(8,892)
	Others:	46,960,122	49,818,126	(2,858,003)
	Foreign bonds	10,319,989	10,908,673	(588,683)
	Investment trusts (**)	36,450,387	38,719,545	(2,269,158)
	Total	53,814,342	56,719,984	(2,905,642)
Total		109,663,327	110,415,197	(751,869)

* Of the difference shown above, ¥308,341 million losses were included in the consolidated statement of income by 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 consolidated balance sheet
Japanese stocks	9,953
Investment trusts	1,692,354
Investments in partnerships	48,333
Total	1,750,640

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

4. Held-to-maturity securities sold during the fiscal year ended March 31, 2020

There were no held-to-maturity securities sold during the fiscal year ended March 31, 2020.

5. Available-for-sale securities sold during the fiscal year ended March 31, 2020

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	98,055	8,143	(1,868)
Bonds:	988,246	6,217	(2,651)
Japanese government bonds	985,609	6,217	(2,578)
Japanese corporate bonds	2,637	—	(72)
Others:	1,148,749	19,518	(9,427)
Foreign bonds	341,093	4,531	—
Investment trusts	807,655	14,987	(9,427)
Total	2,235,051	33,879	(13,946)

6. Securities for which accounting for impairment was applied

For securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Group reduces its book value of securities to fair value on the consolidated balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized. Impairment losses for the fiscal year ended March 31, 2020 amounted to ¥20 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

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, 2020
   The Group 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, 2020
   The Group 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, 2020

(Millions of yen)

	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	4,181,926	3,366,562	815,364	869,238	(53,874)

Notes: 1. "Those for which the amount on the consolidated balance sheet exceeds the acquisition cost" and "Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.

2. Money held in trust classified as available-for-sale that is deemed to be extremely difficult to determine a fair value were as follows:

(Millions of yen)

	Amount on the consolidated balance sheet
Money held in trust classified as: Available-for-sale	367,810

Since these money held in trust did not have a market price and they were extremely difficult to determine a fair value, they are not included in "Money held in trust (excluding trading and held-to-maturity purposes)" shown above.

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

For securities with market quotations invested in the money held in trust (excluding money held in trust for the purpose of trading), whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Group reduces its book value of securities to fair value on the consolidated balance sheet and charges valuation differences to income (hereafter “impairment losses”) in the fiscal year in which they are recognized. Impairment losses for the fiscal year ended March 31, 2020 amounted to ¥9,212 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

Per share data

Net assets per share as of March 31, 2020 and net income per share for the fiscal year then ended were as follows:

	(Yen)
Net assets per share (*)(***)	2,398.98
Net income attributable to owners of parent per share (**)(***)	72.94

* Net assets per share is calculated using the net assets of ¥9,003,256 million, net of non-controlling interests of ¥9,945 million, divided by the number of common stock outstanding (excluding treasury stock) as of March 31, 2020 (3,748,792 thousand shares).

** Net income attributable to owners of parent per share is calculated using the net income attributable to owners of parent of ¥273,435 million divided by the average number of common stock outstanding for the fiscal year ended March 31, 2020 (3,748,764 thousand shares).

*** To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2020 included 682 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, 2020 included 710 thousand shares of treasury stock held by the stock benefit trust.