

# Dedicated to Providing the Public with the Best Possible Services

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# 1. Operations of Japan Post Network



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Japan Post Network Co., Ltd.

## Message from the Company



### Review of Fiscal 2011

We would like to express our sympathy to the persons who suffered from the Great East Japan Earthquake that occurred in March 2011 as well as to persons related to these victims. Let us pray for the persons who lost their lives in the disaster and express our deepest condolences to their bereaved. Japan Post Network Co., Ltd. also suffered huge damages including the loss of the lives of employees and the destruction of post offices and other facilities. Although we are currently still unable to provide sufficient services to our customers in the affected communities, we are making our utmost efforts to restore normal operations as quickly as possible.

Japan Post Network makes efforts to offer new products and services, mainly through our postal, banking and insurance services—the core businesses of post offices—in order to meet the diverse needs of our customers. These efforts are based on our management philosophy that we offer products and services transparently through post office networks close to customers, aiming to contribute

to “helping customers lead a better and more comfortable life at present and in the future.”

In fiscal 2011, we regarded the prevention of misconduct as our top management issue, aiming to eradicate internal misconduct. Our efforts focused on the steady implementation of the business improvement plan that we formulated and announced in January 2010. Secondly, in order to strengthen our revenue base, we encouraged further use of post offices by customers through initiatives including promotional campaigns in partnership with the companies of the Japan Post Group. After postal privatization, we have also endeavored to diversify our revenue sources through efforts such as the sales of catalog products and the expansion of convenience-store-type sales outlets. Additionally, we continued to take measures to improve the efficiency of our business operations, and to develop necessary systems, in order to strengthen our management foundation. As a result of these efforts, Japan Post Network recorded operating income of ¥1,256.3 billion, net ordinary income of ¥58.2

billion, and net income of ¥30.6 billion.

### Issues for the Future

In fiscal 2012, we will make company-wide efforts to quickly normalize our services in the areas damaged by the Great East Japan Earthquake in March 2011. Concurrently, we will collaborate with other companies in the Japan Post Group to support persons who suffered damages from the earthquake.

Regarding thorough compliance, Japan Post Network will steadily implement the business improvement plan and strive to eradicate internal misconduct, mainly based on efforts toward fostering a deeper awareness of compliance and preventing misconduct. Through these efforts, we would like to regain the trust of customers and local communities.

In order to strengthen our revenue base, we will strive to halt downtrends of the sales of our main products with regard to our three core businesses of postal, banking and insurance services, which account for approximately 99% of our revenue, by strengthening our sales promotion structures and implementing sales promotion campaigns

in partnership with the companies of the Japan Post Group. In our merchandise sales and new financial businesses, we will develop business foundations by measures such as re-evaluating the sales promotion and management structures. We will also enhance our sales capabilities by allocating further human resources to sales activities, through improving the allocation of employees and the streamlining of various clerical works, while also utilizing our existing management resources more efficiently and effectively.

In addition to with these measures, we will strive to maintain the level of the post office network, a shared asset of the Japanese people, so as to maintain our roots in local areas and utilize the network via efforts to strengthen local one-stop government functions and revitalize local communities.

In order to maintain the trust of our customers, all employees of Japan Post Network are committed to providing higher quality services. We appreciate our customers and consignors for their continuous patronage and use of our post offices.

# 1. Overview of Operations

Japan Post Network is the company within the Japan Post Group that deals with post office businesses and functions.

Japan Post Network is maintaining the level of our nationwide post office network to provide fundamentally crucial products and services centered on postal, banking and insurance services—the core business of post offices—that can more closely respond to the diverse needs of our customers. These services are provided at post offices under consignment from other Japan Post Group companies and are an integral part of people's lives.

Japan Post Network will offer products and services transparently through readily available post office networks, aiming to contribute to “helping customers lead a better and more comfortable life at present and in the future” and realize excellent management so that customers and consignors will use Japan Post Network's services over the long term.

## 1. Postal Counter Operations of the Three Core Businesses

### ■ Counter operations of the three core businesses

- Postal counter operations: Under consignment from Japan Post Service, we accept and handle postal and Yu-Pack items and sell postage stamps and postcards as well as revenue stamps.
- Savings counter operations: Under consignment from Japan Post Bank, we handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts.
- Insurance counter operations: Under consignment from Japan Post Insurance, we solicit life insurance and handle premium payments.

### ■ Strengthen Sales in Our Three Core Businesses

Post offices serve as points of contact between customers and Japan Post Group companies. We strengthened our sales in the three core businesses of postal, banking and insurance services by taking such measures as holding seasonal fairs in spring and fall and implementing other types of campaigns.

- Postal: We set up new displays and featured packaged products that were both appealing and easy to purchase by customers. We also made efforts to ensure that customers continue to use specialty product Yu-Pack services as well as to gain new customers for this service by strengthening collaboration with Japan Post Service.
- Savings: We work to bring satisfaction to our customers through our services. As part of these efforts, we held a *Yucho Arigatou* Campaign that included offering special interest rates on *TEIGAKU* deposits and giving out prizes to draw winners.
- Insurance: We ran a “Flowers” promotional campaign (Japan Post Insurance × Flowers), a tie-up project with a Japanese movie called *Flowers*. The aim was to attract customers to the insurance counter in post offices, welcoming their informal inquiries about insurance matters.

## TOPICS

### Spring *Hajimeyou*-Fair in Post Offices

Post offices throughout the country and branches of the Japan Post Group companies hosted a Spring *Hajimeyou*-Fair from March through April 2011. The fair is designed to provide support to those starting a new life in April, including new students, new employees and new community members, with our diverse range of products and services.

During the fair, customers who purchased specific products or services were encouraged to participate in a drawing, and prizes were given to a total of 100,000 winners. The Japan Post Group will work to make its products and services available to everyone, capitalizing on its nationwide network of post offices and branches.



2011 Spring *Hajimeyou*-Fair poster at post offices

## 2. Providing New Products and Services

To respond to the diversified needs of customers and to upgrade the one-stop functions of post offices, we are successively offering new products and services. We handle a variety of new financial products, which include the sale of individual variable annuities, third-sector insurance products, commissioned sales of corporate insurance products and automobile insurance. We are also involved in a catalog sales business in which we serve as an intermediary for sales of products listed in catalogs and on flyers placed in post offices. Other services include the handling of work for local public entities such as delivering official certification documents as well as providing comprehensive referral services for home security and moving.

We are also establishing new businesses that make use of our real estate holdings as well as undertaking an advertising business utilizing extra space at post offices.

### ■ Sales of Pocari Sweat *Natsu Gokoro* Letter

Japan Post Network and Otsuka Pharmaceutical Co., Ltd. jointly launched sales of *Natsu Gokoro* Letter. It is a postcard-like package containing powder of Pocari Sweat, a sports drink produced by Otsuka Pharmaceutical, with a blank space on the back to write a message. It was sold at about 7,000 post offices across the country from June through August 2010. This new type of letter delivered a message both sounding and tasting "cool" to those you care about in the height of summer.



### ■ Launch of Second Series of *Gotochi* Form Cards

In July 2010, we released the second series of *Gotochi* (local) Form Cards consisting of 47 new designs. Each *Gotochi* Form Card bears illustrations of local products, tourist spots, events or individuals representative of each prefecture and is available only at post offices in that prefecture. These *Gotochi* Form Cards, varying in size and shape, can be sent as nonstandard-size items.



*Gotochi* Form Card  
(Kochi Prefecture)



*Gotochi* Form Card  
(Iwate Prefecture)

### ■ Sales of In Print New Year's Postcards, *Otoshidama* Envelopes and *Otoshidama* KitKat

Post offices across the nation sold In print New Year's lottery postcards with preprinted greetings and designs fit for the season, and *Otoshidama* (New Year's money) gift envelopes available in six designs featuring characters popular among children.

These post offices also sold *Otoshidama* KitKat with an *Otoshidama* envelope, a product jointly developed with Nestlé Japan Ltd. Its red package contains KitKat chocolate wafers, with a small *Otoshidama* envelope attached to the front of the package. For 2011, the envelope bears a message "You will for sure jump high in 2011," linking "Kit" in the product name and a Japanese word "*Kitto*" meaning "for sure."

### ■ Sales of *Kit Mail* for Students Preparing for Entrance Exams

We again sold *Kit Mail*, a product jointly developed with Nestlé Japan Ltd. to deliver a warm hand-written message with KitKat chocolate wafers to students preparing for entrance exams. KitKat, the pronunciation of which roughly resembles "*Kitto Katsu*" in Japanese (meaning a "surefire win"), is regarded as a lucky charm and is very popular among exam-taking students.



## TOPICS

### Initiatives to Vitalize Local Communities

Post offices throughout the nation have been implementing a diverse range of initiatives to vitalize local communities through collaboration with local governments, companies and organizations.

Some initiatives are closely related to our postal operations. We develop and sell frame stamps that use photographs for promotion of local events and tourist spots and use small-size commemorative postmarks featuring particular local events. Other initiatives are based on our strong ties with local communities. These include participation in stamp rallies sponsored by local governments and sales of premium gift certificates issued by local chambers of commerce.

Within Japan Post Network, we intend to contribute to vitalization of local communities by promoting a range of internal projects, such as the Regional Ideas Promotion Project to solicit ideas from employees and Regional Initiative PR Project to publicize and extend regional initiatives to post offices in other regions.

### "Support for Miyazaki" Fair

To provide assistance to Miyazaki Prefecture, which suffered considerable economic damage caused by an outbreak of foot-and-mouth disease, we ran a "Support for Miyazaki" Fair from August 2 to September 30, 2010. During the fair, we handed out special flyers to sell their local products, including delicious food gifts and fruit juice gifts, and accepted orders at post offices and our website.

In November of the same year, we donated 5% of the proceeds, amounting to ¥6,431,790, to Miyazaki Prefecture.





## 2. Products and Services

(As of July 1, 2011)

Post offices engage in the provision of postal, deposit, and insurance products and services. In addition, post offices provide various types of new products and services that contribute to "helping customers lead a better and more comfortable life at present and in the future."

### 1. Products and Services of the Three Core Businesses

#### (1) Postal counter operations

We handle postal and Yu-Pack items and sell postage stamps and postcards as well as revenue stamps. For details, please refer to pages 40-41.

#### (2) Savings counter operations

We handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts. For details, please refer to pages 54-55.

#### (3) Insurance counter operations

We solicit life insurance and handle premium payments. For details, please refer to pages 64-65.

#### (2) Post Office Referrals Comprehensive Lifestyle Referral Services

We are implementing Post Office Referrals, which include moving, mobile phone, house cleaning, optic fiber connection and home security services, at all nationwide post offices as well as through a dedicated phone line.

\*Some referral services may not be available at certain post offices.



## 2. Providing Services that Support People's Lives

#### (1) Working with Local Governments

As part of their services for the public, post offices conduct a number of services for local governments. For example, some post offices issue official certification documents and sell tickets for various government services.

(As of March 31, 2011)

Services	Prefectures	Municipalities	Post offices
1. Office certification documents (Issuance of copies of resident card, etc.)	0	160	612
2. Other services	1	106	3,411
(1) Sales	0	98	1,330
a. Multiple-ride bus tickets	0	24	238
b. Trash collection certificates	0	34	751
c. Sewage treatment certificates	0	6	25
d. Tickets to events (Tickets for events sponsored by local governments, etc.)	0	18	184
e. Merchandise certificates	0	0	0
f. Trash collection bags	0	51	348
(2) Distribution services (Issuance of bus tickets, etc.)	0	10	1,412
(3) Receipt of application forms (Receipt of application forms for using public facilities, etc.)	1	2	1,233
<b>Total</b>	<b>1</b>	<b>245</b>	<b>3,960</b>

Note: Figures for "2. Other services," "2 (1) Sales" and "Total" exclude multiple use by the same person.

#### (3) Sales of Catalog Products (*Furusato* Parcel Service)

We offer a number of catalog services, including the *furusato* parcel service, which allows customers to order desired products from catalogs listing specialty products from all regions of Japan or leaflets that feature products specific to a certain area, and to have these products delivered by Yu-Pack service. There is also a regular order service that lets customers enjoy the flavors and tastes of the regions of Japan once a month. We continually review catalog product lineups as we strive to introduce customers to even better products.



### 3. Responding to Customers' Various Needs

#### (1) Third-Sector Insurance Products

In order to respond to needs for healthcare coverage, which have been rising in years, we sell third-sector insurance at 1,000 post offices.

##### (Products Handled)

- **Days – Cancer insurance for daily living** [underwriter: Aflac (American Family Life Assurance Company of Columbus)]

A cancer insurance product that provides a lump-sum payment when a policyholder is diagnosed with cancer and benefits for hospitalization and treatment (surgery, radiation therapy and anticancer drugs). It also offers benefits for outpatient cancer treatment, which has been growing recently, and coverage for advanced medical treatments, which are not usually covered under the public health insurance plan.

- **Tayoreru YOU** [underwriter: Sumitomo Life Insurance Company]
- This whole life medical insurance (medical insurance with eased underwriting conditions) allows for the enrollment of persons with pre-existing conditions (diabetes, hypertension, etc.) who are not accepted under traditional health insurance\*.

\* Insurance products providing benefits for hospitalization or injury or when undergoing prescribed surgery

#### (2) Variable Annuity Sales

In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 166 post offices.

##### (Products Handled)

- **Yu Yu Tsumitate Nenkin** [underwriter: MetLife Alico (American Life Insurance Company)]
- **Shiawase Teikibin** [underwriter: Mitsui Sumitomo Primary Life Insurance Co., Ltd.]

#### (3) Life Insurance for Companies (for Management-Level Personnel)

In order to respond to a variety of needs of executives, such as needs for retirement benefit-related measures, business insurance, business succession and inheritance countermeasures, we sell life insurance for companies (for management-level personnel) at 124 post offices.

\* Products handled vary depending on the handling post office.

##### (Products Handled)

- **Level term life insurance** ● **Increasing term life insurance**
- [underwriters: ING Life Insurance Company, Ltd., MetLife Alico (American Life Insurance Company), Sumitomo Life Insurance Company, Tokio Marine & Nichido Life Insurance Co., Ltd., Nippon Life Insurance Company, Mitsui Sumitomo Kiraeki Life Insurance Company, Ltd., Meiji Yasuda Life Insurance Company]

\* Sumitomo Life Insurance Company only underwrites level term insurance.



#### (4) Automobile Insurance

As a non-life insurance agency, we have been handling post office automobile insurance in cooperation with six non-life insurance companies at 600 post offices.

##### (Products Handled)

##### ● Post Office Automobile Insurance

[six underwriters: Aioi Nissay Dowa Insurance Co., Ltd., All Insurance Company, Sampo Japan Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., NIPPONKOA Insurance Co., Ltd. and Mitsui Sumitomo Insurance Co., Ltd.]

This insurance provides three types of basic coverage, namely, compensation and liability coverage, personal coverage of the insured and vehicle coverage in addition to combining seven types of support services ranging from accident-prevention support to support after an accident. Premium rates are set depending on the purpose of the vehicle usage and the category (color) of the driver's license held.



#### (5) Post Office Internet Shop

The Post Office Internet Shop is an online shopping site opened on Japan Post Network's website.

The shop offers a variety of products ranging from frame stamps to local specialty products provided under our *furusato* parcel service.

\* In April 2011, the Post Office Mail-Order Shop changed its name to Post Office Internet Shop.



#### (6) Total Printing Service

We offer a Total Printing Service via our Post Office Internet Shop. In addition to conventional printing service for New Year's postcards, we now offer printing services for other greeting cards and business cards.



#### (7) Frame Stamps

In response to requests from customers to sell stamps that use photographs, we provide a service for creating and selling original frame stamps for our customers. We also engage in sales of post office original frame stamps for limited periods. In the future, we intend to sell various types of new and original frame stamps.





## 4. Promoting the Effective Use of Post Offices

### (1) Product Sales Utilizing Space at Post Offices

In order to improve convenience for customers who use post offices, from June 2009 we have been selling mail-related items such as letter paper, envelopes and pens and pencils at all nationwide post offices as well as at designated contracted post offices.

In addition, from September 2009 we started sales of *Gotochi* Form Cards, which enable non-standard sized mail items to be sent.



Gotochi Form Card (Tokyo)



Gotochi Form Card (Yamaguchi Prefecture)

### (2) JP LAWSON Stores

In cooperation with LAWSON, INC., small convenience store-type outlets called JP LAWSON stores are being deployed. These are stores that operate inside an area within a post office, and they have a lineup of mail-related products, including standard items as well as post office character goods (Posties) and mail box shaped piggy banks. Through the JP LAWSON stores, our aim is to improve convenience for customers who visit post offices and customers living in the vicinity of post offices.



JP LAWSON (Shibuya, Tokyo)

## TOPICS

### "Posties" – Characters for the Japan Post Group

"Popock," "Kimick" and "Belrick" symbolize the brands of the Japan Post Group with their various individual characteristics: Popock is responsible for the delivery of important mail items, Kimick runs a flower shop and nurtures flowers and plants, and Belrick is an active athlete who hopes that everyone is always fit and well.



### (3) Advertising Business

Japan Post Network implements its advertising business by deploying extra space at post offices and using its nationwide network of post offices to place advertisements by companies and local governments. Using post offices as a medium, we have a menu of options available for corporate publicity and promotions, including such activities as placing advertisers' posters and pamphlets in post office lobbies, distributing advertisers' sample products at service counters and holding events inside post offices.

### (4) Collection of Used Ink Cartridges

We started the "ink cartridge *satogaeri* project" for collecting used ink cartridges with the cooperation of six printer manufacturers. As of March 2011, collection boxes were placed in 3,639 major post offices.



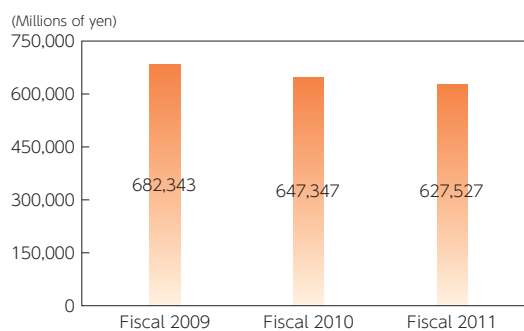
Event held in Tokyo



## 3. Japan Post Network Business Performance

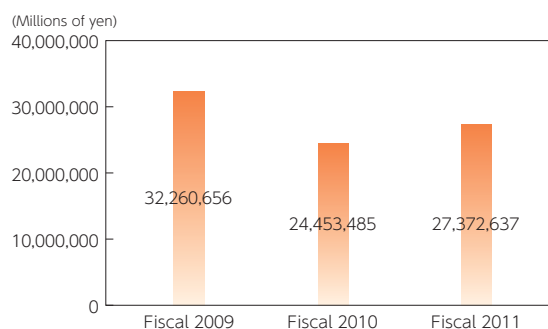
### 1 Postal Operating Revenues

Of the services such as mail and Yu-Pack provided by Japan Post Service, total sales handled through Japan Post Network are as follows.



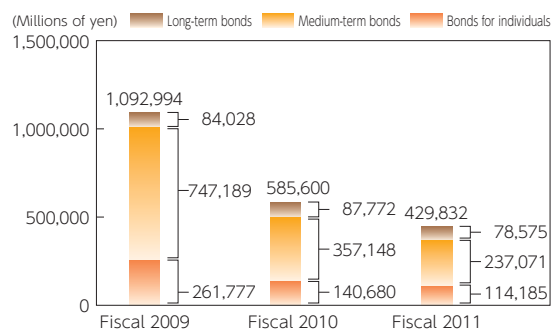
### 2 TEIGAKU and Time Deposits Handled

Of the *TEIGAKU* and Time Deposits provided by Japan Post Bank, the funds newly deposited by customers through the Japan Post Network are as follows.



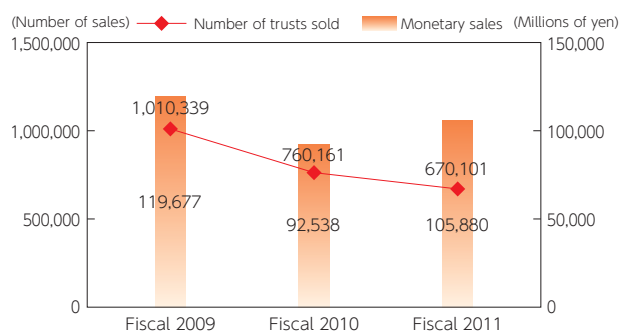
### 3 Sales of Japanese Government Bonds

Of the Japanese government bonds sold by Japan Post Bank, total sales handled through the Japan Post Network are as follows.



## 4 Investment Trust Sales

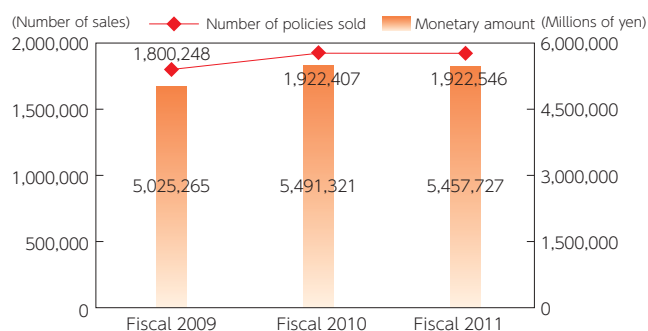
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post Network are as follows.



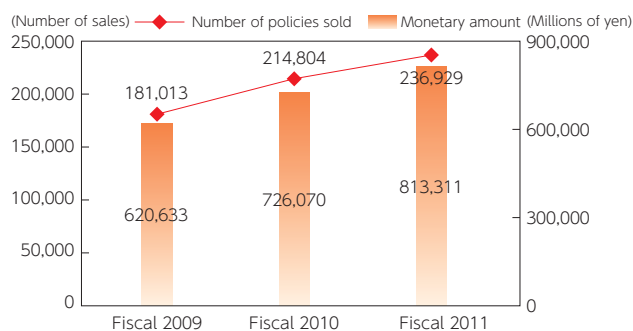
## 5 Life Insurance and Annuity Sales

Of the life insurance and annuity products sold by Japan Post Insurance, total sales of newly contracted policies handled through Japan Post Network are as follows.

### Individual Insurance

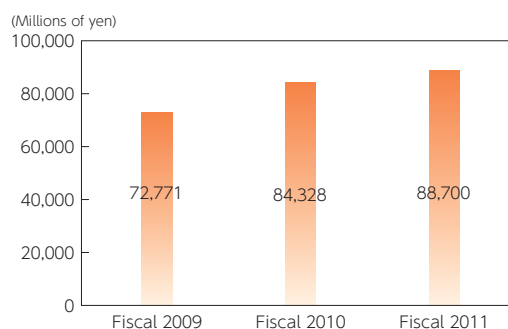


### Individual Annuities



## 6 Merchandise Business

The sales of products and services sold through merchandise businesses such as catalog sales of Japan Post Network are as follows.



## 2. Operations of Japan Post Service



Shinichi Nabekura

President and CEO  
Japan Post Service Co., Ltd.

### Message from the Company



#### Review of Fiscal 2011

In reviewing fiscal 2011, let me first offer my thoughts and prayers for the persons who lost their lives in the Great East Japan Earthquake on March 11, 2011 and express my heartfelt sympathy to the residents of the disaster-stricken regions.

Many of our employees were also affected by the earthquake and tsunami, and our branch buildings, post boxes, vehicles and other facilities suffered enormous damage. Nevertheless, with the exception of a few areas, Japan Post Service was able to quickly restore regular operations, thanks to the all-out efforts of our employees, especially the employees in the disaster-affected areas who worked tirelessly to return our services to normal.

We have been making every effort to deliver mail and Yu-Pack items to persons living in evacuation shelters. Japan Post Service is also providing maximum support to persons affected by the disaster through measures that include exempting fees for cash registered mail containing disaster relief money and selling donation-added postage stamps to support those who suffered damages.

Japan Post Service will continue supporting local communities by providing reliable mail, Yu-Pack and other services as essential forms of communication and logistics closely linked to people's daily lives. These services interconnect the disaster-affected areas and link them to other areas throughout Japan.

Turning to our business operations in fiscal 2011, a large number of customers were inconvenienced by Yu-Pack delivery delays immediately after the integration of the parcel delivery operations of JP Express Co., Ltd. (JPEx) in July 2010. In August, we received a business improvement directive from the Minister of Internal Affairs and Communications. Japan Post Service regards the situation with utmost seriousness and will institute necessary and adequate structures for preventing any recurrence, so as to ensure stable business operations and regain the trust of customers.

Regarding our business results in fiscal 2011, growth in revenue was significantly outpaced by an increase in personnel expenses and in collection, delivery and transport outsourcing expenses resulting from the



integration of JPEX's parcel delivery operations. Profits in our postal operations also declined owing to such ongoing trends as cutbacks in communications and sales promotion expenses by corporate customers, in addition to declining mail volumes accompanying the growing use of Web-based invoices and other documents. As a result, Japan Post Service registered a net operating loss of ¥103.4 billion.

In January 2011, Japan Post Service submitted a report to the Minister of Internal Affairs and Communications containing an analysis of the factors underlying the worsening of the net operating loss and outlining measures for improving our bottom line in the future.

### Issues for the Future

Based on an evaluation of our business results in fiscal 2011, I believe our top management priority will be to quickly achieve a profitable balance in our revenues and expenses. Japan Post Service faces a severe business environment. Besides the structural problem of declining mail volumes, our Yu-Pack service is also encountering intensifying competition in the logistics industry. Moreover, the impact of the Great East Japan Earthquake has clouded the outlook for future economic conditions.

Under these circumstances, in the short term we will implement measures to quickly improve the profitability of our Yu-Pack business. Over the medium to long term, we will address the structural problem of the decline in mail volumes.

In responding to these issues, we will accordingly strive to increase revenues by expanding our small- and medium-size customers and to strengthen our sales in

Yu-Mail and other fields where we compete. At the same time, we will develop and provide new products and services that accurately respond to customer needs and work to raise the quality of our services by intensifying our human resources development. Additionally, we will raise productivity by bolstering our business foundations through such measures as investing in automation and information technology (IT) to further enhance our competitiveness. By taking these steps, we aim to achieve profitability on a single-year basis for Japan Post Service as a whole in fiscal 2013 and for our Yu-Pack business in another five years.

To diversify and fortify our earnings structure, we will also further develop our logistics business to ensure that it effectively offers third-party logistics (3PL) services coupled with logistics consulting services, while working to secure a solid logistics business in the continually growing e-commerce market. In the international logistics business, we will respond to the diverse needs of customers, mainly through collaboration with the China Post Group, with which we formed a business alliance in November 2010. Our international logistics business will primarily focus on China and Southeast Asia, where markets are expected to expand.

Finally, for Japan Post Service to progressively improve the company's bottom line, I believe that, above all, ensuring the trust of our customers is essential. Reflecting on the delivery delays in our Yu-Pack services, we will unceasingly endeavor to ensure stable and efficient business operations that will reassure our customers and gain their greater trust.

As we move forward with intensified efforts to achieve these goals, your continued support is appreciated.

# 1. Overview of Operations

Japan Post Service is responsible for the postal and parcel delivery operations of the Japan Post Group.

In addition to operating 1,110 branches and 2,536 collection and delivery centers, Japan Post Service has commissioned Japan Post Network to handle mail and sell postage stamps, postcards and revenue stamps at approximately 24,000 post offices throughout Japan. Besides providing 187,000 post boxes throughout the country, Japan Post Service has also commissioned the sale of various postage stamps and revenue stamps at approximately 144,000 locations in Japan.

Through this network, Japan Post Service delivers approximately 64 million pieces of mail daily to around 31 million homes and businesses throughout Japan (fiscal 2011 figures). In fiscal 2011, Japan Post Service delivered around 19,810 million postal items, around 340 million Yu-Pack items and around 2,620 million Yu-Mail items.

While maintaining universal postal service, Japan Post Service is striving to create a "network that conscientiously connects people, businesses, and society" by providing communications that enable the public to feel safe and secure along with speedy logistics functions.

## 1. Postal and Domestic Distribution Business

Under the Postal Services Privatization Act, Japan Post Service impartially provides universal postal services at the lowest possible rates as well as Yu-Pack, Yu-Mail and other logistics services. In addition to domestic postal services, Japan Post Service also provides international postal services (letter, parcel and EMS\*) in accordance with the Universal Postal Convention and other international postal agreements. Japan Post Service is also commissioned by the Japanese government to sell revenue stamps.

In response to the one-stop outsourcing needs of business customers, subsidiaries such as JP Biz Mail Co., Ltd. provide contracted one-stop total services that range from mail planning and preparation (printing) to mail insertions, sealing and sending.

\*EMS: Express Mail Service

### ■ Integration of Pelican and Yu-Pack Delivery Services

In July 2010, Japan Post Service took over the Pelican parcel delivery service of JP Express Co., Ltd. (JPEX) and started providing a new Yu-Pack service. We continue to learn from the regrettable delivery delays that occurred immediately after the launch, inconveniencing a large number of customers as well as companies and organizations concerned. We are working tirelessly company-wide to regain customer confidence by initiating every measure possible to prevent recurrence of a similar incident by ensuring stable delivery service operations.

In August last year, we received a business improvement directive regarding this incident from the Minister of Internal Affairs and Communications under the Japan Post Service Law. In November as well as in January and March 2011, we delivered reports to the Minister on the implementation status of the various preventive measures we put in place during the busy year-end season and the

results attained thus far through our efforts to improve the system of managing our delivery service operations.

### ■ A Larger Net Operating Loss and Initiatives to Improve Earnings

In fiscal 2011, we posted a net operating loss of ¥103.4 billion. This loss was due to a drop in earnings caused by declining mail volumes and a rise in expenses resulting from the integration of JPEX's parcel delivery service.

Our interim results for fiscal 2011 showed a net operating loss of ¥92.8 billion, a year-on-year increase of ¥65.9 billion and ¥28.5 billion more than the figure projected in our fiscal 2011 Business Plan. Under the Japan Post Service Law, the Minister of Internal Affairs and Communications requested a report on this matter in November 2010. In January 2011, we submitted a report to the Minister, providing our detailed analysis of the causes of the increased gap between the planned and actual figures, and describing measures being undertaken to improve our bottom line.

With an eye to maintaining sound management throughout Japan Post Service, we will strive to enhance productivity and increase earnings. More specifically, we aim to generate net operating income from the mail and Yu-Pack businesses combined in our fiscal 2013 full-year results, while working to bring Yu-Pack service itself into the black on a single-year basis in the next five years.

### ■ New Products and Services

In April 2010, we launched Letter Pack 500 and Letter Pack 350 services, which can carry personal letters that were prohibited in our previous EXPACK500 service. Using these Letter Pack envelopes, customers can send A4-size or smaller documents or items of up to 4 kg at a flat rate.

Recently, we have been experiencing fraud cases in which fake relocation forms were used to intercept letters and parcels. In response, we have reinforced our ID and address check process at the postal counter by asking customers to fill out a relocation form to provide verification of their previous address or send a letter of confirmation to their previous address.



Letter Pack 500

Letter Pack 350

### ■ Activities for 2011 New Year's Postcards

We have been promoting the traditional end-of-year custom of sending New Year's postcards, based on the main theme that these postcards are "gifts" that give joy to the sender. To promote a "desire to send New Year's postcards," we added to the lineup of 2011 New Year's postcards a series of "fragrant" Disney character postcards that release a flowery scent when a recipient scratches the illustration on the back.

As for our Web-enabled services, we worked to enhance the contents of our special New Year's postcards website (yubin-nenga.jp), offering free downloads of more than 1,000 templates and design elements. We also encouraged the fusion of digital and analog services by providing mixi *Nengajo*, Webpo and *Net de Nengajo* services (the last in collaboration with Yahoo! JAPAN), which enable users to send "real" New Year's postcards to their online, address-unknown friends and acquaintances.

We also continued to sell carbon offset New Year's postcards as a measure to support global warming prevention projects with the goal of helping to achieve a 6% reduction in Japan's greenhouse gas emissions as prescribed by the Kyoto Protocol.



© Disney

### ■ New Discount Services for EMS and International Registered Mail

In April 2011, we launched new discount services for users of EMS and international registered mail. These discount services are available to frequent EMS users who have sent 6,000 or more items in the previous year and to users of international registered mail, who send a specified number or more of items at one time or in one month using the label we provide for international registered mail.

## 2. International Logistics Business

In response to expanding needs for international logistics, we are promoting international logistics business in our cargo sector in addition to international mail services. In cooperation with JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd. (JPSGL), which is our subsidiary established in July 2008, we are providing a wide variety of international logistics services ranging from small-lot to large-lot cargo.

During the 2010 Shanghai Expo, we supported international logistics for the Japan Industry Pavilion by transporting huge objects decorating the outer wall of the pavilion, items for exhibition and equipment used in various events.



## 3. Logistics Business

We are deploying our logistics business in response to recent logistics outsourcing needs. Upon being consigned by client companies, we provide our third party logistics (3PL) services in an integrated manner, from optimized logistics plans to the building and operation of logistics systems, as well as the provision of consulting services relating to logistics improvements.

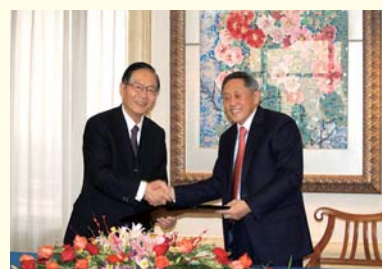
To meet client companies' needs for small-lot, high-frequency logistics services, we are offering Pallet Logistics Service to handle small freight in the unit of roll pallets by utilizing extra capacity in our logistics network.

### TOPICS

#### Tie-up with China Post Group Corp. for Expansion of International Logistics Business

In November 2010, China Post Group Corp., Japan Post Holdings Co., Ltd. and Japan Post Service Co., Ltd. reached an agreement to promote cooperation among the three companies in the mail service and logistics business fields.

In China, the online shopping market and delivery needs across the country have been showing significant growth, fueled by a sharp increase in the number of Internet users. Against this backdrop, a number of Japanese companies are now seeking to expand their international mail order business to China. With the aim of providing support to these retailers, Japan Post Holdings and Japan Post Service will promote strategic business cooperation with China Post Group Corp., which is the only company operating the nationwide network for delivering packages to individuals across China.



## 2. Products and Services

### 1. Stamps and Postcards

(As of April 1, 2011)

Products	Description/Features
<b>Ordinary stamps</b>	Standard lineup of postage stamps.
<b>Special stamps</b>	Stamps issued for a special purpose, such as to commemorate an important national event in Japan or a significant campaign in Japan or another country. We also provide greeting postage stamps with designs suitable for use with greeting cards for celebrations and various other occasions.
<b>Furusato stamps</b>	Stamps issued to stimulate interest in specific regions of Japan using regional themes.
<b>Donation-added New Year's postage stamps</b>	These lottery stamps allow individuals who use their own New Year's postcards and letters to participate in the New Year's postcard lottery. There are two types: one for postcards and one for letters.
<b>Frame stamps</b>	An original postage stamp that is designed to look like a photo frame, with its inner blank space available for printing photographs, etc. Frame stamps can be ordered via the Internet or at a post office.
<b>Standard postcards</b>	In addition to the postage mark featuring a house sparrow, other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
<b>New Year's postcards (New Year's lottery postcards)</b>	These postcards are available in a standard format and with a donation added.
<b>Summer greeting postcards (Kamo-Mail)</b>	Postcards for summer greetings are available with standard postage and with a donation added.
<b>Carbon offset postcards</b>	We issue carbon offset New Year's postcards and carbon offset summer greeting postcards with a donation added. Donations are used for global warming prevention projects with the goal of helping to achieve the 6% reduction in Japan's greenhouse gas emissions as prescribed by the Kyoto Protocol.
<b>e-sense cards</b>	Sold for ¥50, these stylish postcards incorporate an illustration or picture provided by a company using the back of the card as advertising space.
<b>Echo-postcards</b>	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5, to ¥45.
<b>Inkjet printing standard postcards</b>	Postcards with a special coating that allows the tiny dots of inkjet printers to dry quickly, permitting the postcards to be used for printing photographs, pictures and other colorful images.
<b>Reply-paid postcards</b>	Two attached postcards folded in half, one to be used by the sender and the other by the recipient to send a reply back to the sender. We also offer unfolded reply-paid postcards. The absence of a fold allows these postcards to be easily used with a printer or copier. These postcards are useful for printing large numbers of invitations to parties, sales events, exhibitions and other events.
<b>Four-surface printing postcards</b>	With four postcards in a single sheet, these postcards are useful for situations where a large number of postcards need to be printed.
<b>Postcards with indentations</b>	These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can tell the front and back and top and bottom of a postcard.
<b>Picture postcards</b>	Picture postcards featuring famous scenery and other sights from all over Japan.
<b>International postcards</b>	These postcards are used for international air mail and have the same rate (¥70) for every foreign country.
<b>Mini-letters (Postal envelopes)</b>	These sheets, in which writing space is three times the size of a postcard, are a combined letter and an envelope. Postage is printed on the front just as with a postcard. Items can be enclosed up to the limit of 25 g.
<b>Letter Pack 500 (Specified postage-paid envelope, with recorded delivery service)</b>	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items can be sent nationwide for a flat rate (¥500). As the recipient must sign or provide their seal to receive the package, it offers a secure way to send items by post. A tracking service is available to check delivery status.
<b>Letter Pack 350 (Specified postage-paid envelope, without recorded delivery service)</b>	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items that do not exceed 3cm in depth can be sent nationwide for a flat rate (¥350). This item is placed in the recipient's mail box and is therefore useful for persons who are not often at home to receive mail items. A tracking service is available to check delivery status.
<b>Aerogrammes</b>	The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 g. Space is three times the size of a postcard and postage is printed on the front. Air-mail postage is cheaper (¥90 for anywhere in the world).
<b>Stamp booklets</b>	Stamp booklets have a cover and contain several stamps or several dozen stamps, with an accompanying explanation of each stamp



Special stamps and furusato stamps



Letter Pack 500



Letter Pack 350



Stamp booklets



## 2. Standard Mail Services

Category	Description/Features
<b>First-class mail</b> ( <i>Daiisshu yubin</i> )	This category includes letters and is divided into standard-size items of a certain size and weight and nonstandard-size items. This category also includes "mini-letters."
<b>Second-class mail</b> ( <i>Dainishu yubin</i> )	This is the category for postcards. There are two categories: standard postcards and reply-paid postcards.
<b>Third-class mail</b> ( <i>Daisanshu yubin</i> )	Newspapers, magazines and other periodicals issued at least four times each year and that have been approved by Japan Post Service. This includes third-class mail, which has discounted rates, and covers a portion of newspapers published three or more times monthly or publications containing one-day's content that are mailed by a publisher, seller or organization. Third-class mail at a discounted rate is also available for organizations for persons with disabilities that have the aim of promoting the welfare of persons with disabilities.
<b>Fourth-class mail</b> ( <i>Daiyonshu yubin</i> )	A reduced-rate or free postage category for materials associated with public service or welfare. Examples include correspondence education materials, Braille materials, sound recordings intended solely for the use of the blind, plants and seeds, and academic publications.

## 3. Yu-Pack, Yu-Mail and Other Services

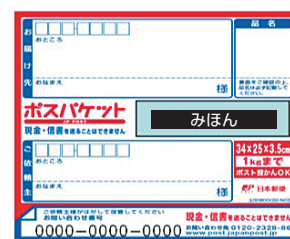
Products	Description/Features
<b>Yu-Pack</b>	Yu-Pack is a domestic delivery service for sending parcels having the sum total of length, width and thickness of less than 170 cm and weighing less than 30 kg, with the receiver's address listed on an attached invoice. The Yu-Pack service offers a host of benefits and conveniences. These include discounts for parcels brought to post offices, volume discounts for 10 or more parcels, forwarding to a second address when no one is at the primary address, notice of completed delivery service, same-day redelivery and specified time delivery service.
<b>Airport Yu-Pack</b>	An easy and inexpensive way for travelers to ship their luggage to and from an airport. Luggage can be picked up at a designated counter at the airport. There is a reduction available for using the service on both outbound and inbound journeys.
<b>Golf and Ski Yu-Pack</b>	Golf and ski equipment is delivered to a hotel or other location by the day prior to the customer's arrival or back to the customer's home. There is a reduction available for using the service on both outbound and inbound journeys.
<b>Pos Packet</b>	A convenient service for sending small and light items anywhere in Japan at a flat rate of ¥350. Delivery confirmation is available online. Simply drop Pos Packet in a post box.
<b>Yu-Mail (booklet parcels)</b>	A service for sending books and other publications. No prior procedure is needed. Simply drop Yu-Mail in a post box. We offer special volume discounts for users sending a large quantity of parcels using this service.
<b>Town Plus</b>	A service to deliver Yu-Mail to all deliverable addresses within a particular town neighborhood without the name of receivers.
<b>Yu-Mail for persons with disabilities</b>	Yu-Mail for materials sent between libraries and persons with severe physical or mental disabilities.
<b>Braille Yu-Pack</b>	Used to send Braille materials.
<b>Yu-Pack for the hearing impaired</b>	Used to send videotapes for hearing-impaired individuals. Available for tapes sent between facilities approved by Japan Post Service and eligible recipients.



Yu-Pack package (large box)







Yu-Pack package (small box)

Yu-Pack package  
(large pouch)Yu-Pack package  
(small pouch)

Pos Packet

## 4. Major Supplementary Services

Services	Description/Features
<b>Express mail (<i>Sokutatsu</i>)</b>	The fastest form of delivery, in which mail receives priority over other letters and parcels in the same class.
<b>Overnight mail "Morning 10"</b> 	Delivers mail received before the acceptance deadline by 10:00 the following morning.
<b>New special express mail (<i>Shin tokkyu yubin</i>)</b>	Delivers mail received around morning time by approximately 17:00 the same day.
<b>Registered mail (<i>Kakitome</i>)</b>	Letters and parcels are tracked from acceptance to delivery. If the item is damaged or does not reach its destination, the sender will be reimbursed for the actual loss based on the amount submitted when the item was sent. There are three types: cash registered mail, ordinary registered mail and simplified registered mail (discounted postage).
<b>Certification service</b>	Receipt time certification is for certifying the time a letter or parcel sent as registered mail was received. Delivery certification certifies the delivery of a letter or parcel sent as registered mail. Certification forms (which are verified by postal certification officers) state the date, sender and recipient, and contents of the letter or parcel, with certification by Japan Post Service.
<b>Security service</b>	This service provides compensation for loss up to ¥500,000 in the event that a Yu-Pack is damaged or lost.
<b>Acceptance-recorded service (<i>Tokutei kiroku</i>)</b>	A service for registering the acceptance and delivery of letters and parcels.
<b>Recorded delivery mail (<i>Kofu kiroku yubin</i>)</b>	This is a service provided for a flat rate of ¥500, using a specified postage-paid envelope, which records the delivery of the items in the specified envelope.
<b>ID confirmation delivery service (<i>Honjin gentei uketori</i>)</b>	This service provides delivery of letters and parcels only to a person whose name is listed on the letter or parcel. There are three types of service: basic, special-case and conveying specific details.
<b>Cash on Delivery (<i>Daikin hikikae</i>)</b>	The recipient pays the designated amount upon receipt of the letter or parcel. The amount due is paid to the sender using a Japan Post Bank remittance or ordinary remittance. For cash on delivery Yu-Pack parcels, we also offer Cash on Delivery and Remittance Service ( <i>Daikin hikikae matome sokin</i> ), a service to collect payments and make a lump-sum transfer of money in five-day increments to the sender, and Yu-Pack Collection Service, another payment collection service offered jointly with Nippon Express Capital Co., Ltd.
<b>Refrigerated delivery service</b>	A safe and reliable refrigerated delivery service for fresh produce and other goods to keep their freshness while in transport.
<b>Delivery date-specified service (<i>Haitatsu-bi shitei</i>)</b>	The letter or parcel is delivered on the day specified by the sender.
<b>Letax</b> 	A service to deliver messages to recipients, such as congratulatory messages for weddings and condolence messages for funerals, using mat boards and designs specified by senders. It is possible to apply online via the Internet (Web Letax, Web <i>Sokutatsu</i> ), or by telephone (Telephone Letax).
<b>Computer mail</b> 	The sender submits the recipient's name, address, electronic message and other data. Japan Post Service performs everything from printing to placing the messages in envelopes so they can be delivered using standard mail. It is possible to apply online via the Internet (Web Letter).
<b>e-content certificate</b> 	A service for using the Internet to conveniently send mail that requires certification of the contents; available on a 24-hour basis.

\* These services may not be available depending on the type of letter or parcel.

## 5. Other Services

Services	Description/Features
<b>Forwarding service</b>	When an individual relocates, mail is forwarded to the new address for one year at no charge. In addition to submitting an application using relocation forms, which are available at branches and post offices, a service is available for submitting applications via the Internet. For online service, access <a href="http://welcometown.post.japanpost.jp">http://welcometown.post.japanpost.jp</a> and fill in required items according to the instructions. Additionally, the status of applications can be checked online after submittal.
<b>Requests for alteration of address and withdrawal of mail</b>	When a sender realizes there was a mistaken entry for the sender or address after sending a letter or parcel, a request for change of recipient or return of the item can be submitted (a fee may be required).
<b>Stamp and postcard exchanges</b>	Postage stamps, non-usable postcards due to mistaken entries and other unneeded stamps and postcards can be exchanged for new ordinary stamps and postcards by paying the prescribed fee. Exchanges are not possible for soiled or damaged stamps and postcards and for postal envelopes, etc., where the printed postage stamp rate is soiled or damaged.
<b>Free exchange of lottery number postcards, etc.</b>	New Year's postcards and stamps with lottery numbers that cannot be used due to the death of a close relative can be exchanged for ordinary postcards at no cost. Lottery postcards purchased by mistake and that can be resold can be exchanged at no cost for another type of lottery postcard for the same year. (This service may not be available for certain postcards or stamps.)

## 6. International Mail

Services	Description/Features
<b>EMS (Express Mail Service)</b>	Letters and parcels are given the highest priority from the time of receipt through delivery. Status of delivery can be confirmed. (Note)
<b>EMS delivery time guaranteed service (time certain service)</b>	Provides a guarantee for delivery time for EMS mail sent from Tokyo or Osaka to five countries/regions (China, Hong Kong, Singapore, South Korea, Taiwan)
<b>International parcels</b>	Available in three types: small air parcels where speed is the priority, small surface (sea) parcels where low cost is the priority and economy air mail (SAL) small parcels that combine speed and low cost. (Note)
<b>International registered mail</b>	A service to record acceptance and delivery of a mail item and to compensate for actual damage incurred when it gets damaged or lost, to the extent insured by the sender.
<b>Letters</b>	A frequently-used service to deliver letters to overseas addresses. Letters are divided into two categories: standard-size mail having specific weights and sizes and other nonstandard-size mail. This service is available to send letters or documents weighing up to 2 kg by air mail or surface mail. "Letters" include aerogrammes and greeting cards.
<b>Postcards</b>	A service to deliver postcards worldwide at a flat rate of ¥60 for surface mail and ¥70 for air mail.
<b>Printed matter</b>	A low-cost international mail service for periodicals, catalogs, direct marketing materials, business documents and other printed materials. Can be sent as air mail, surface mail or economy air mail (SAL).
<b>Small packet</b>	A service for sending parcels up to 2 kg to overseas destinations. Less expensive than EMS or international small parcels. Can be sent as air mail, surface mail or economy air mail (SAL).
<b>D-mail, P-mail</b>	A special rate is available when a single sender mails a large quantity of pre-sorted items at once at the specified post office (300 or more for printed matters and 50 or more for small packets).

Note: Tracking availability in each country depends on maximum sizes and weights of items sent.



Shipping labels for EMS (Documents)



Shipping labels for EMS (Merchandise)



EMS envelopes

## 7. Logistics Services

Our logistics services offer a total logistics solution comprised of a consulting service for corporate logistics<sup>\*1</sup>, information processing<sup>\*2</sup>, transportation, storage, freight handling<sup>\*3</sup>, distribution processing<sup>\*4</sup> and packaging.

<sup>\*1</sup> We analyze the logistics of companies engaged in shipping from the perspective of their current cost and quality situations and identify key issues and problems, and then make improvement proposals that include specific methods for building logistic systems.

<sup>\*2</sup> We provide information systems for areas of logistics as such warehouse management and transport management.

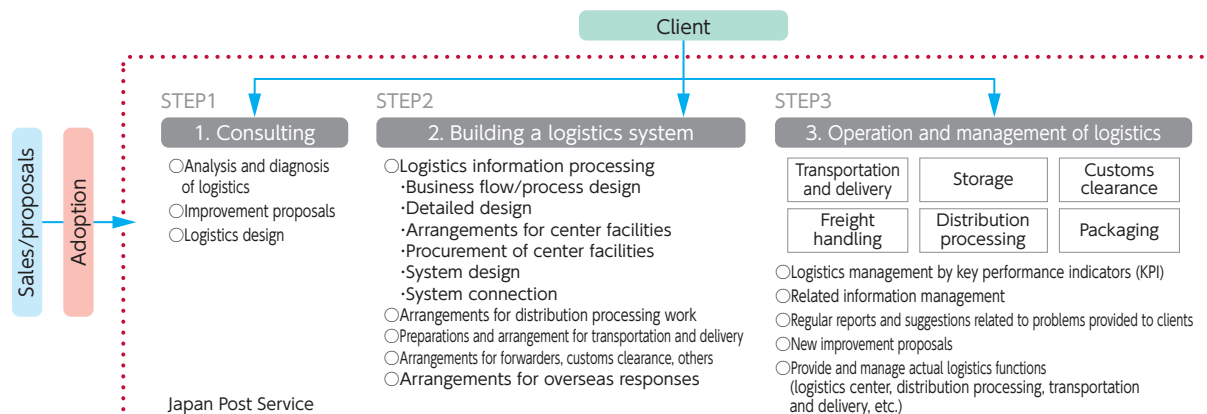
<sup>\*3</sup> We load and unload, transport, stow, discharge, sort and organize freight during the logistics process.

<sup>\*4</sup> We handle such simple processing and assembly tasks as bagging, packaging, attaching labels, performing inspections and attaching price tags during the product distribution process.

### Logistics business services (operations)

The specific operations of Japan Post Service's logistics business (3PL) are

1) providing consulting related to logistics improvements, 2) offering detailed design and building logistics systems based on one-stop consigned logistics, and 3) carrying out actual operational management under consignment after building a new logistics system.



### 3. Japan Post Service Business Performance

#### 1 Consigned Volume of Mail in Fiscal 2011

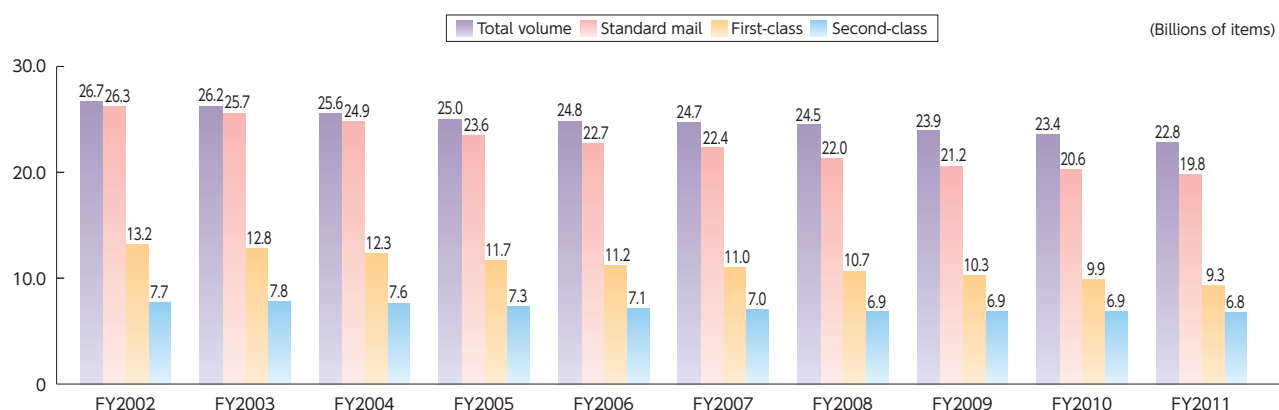
(Unit: 1,000 items, %)

Category	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Volume	Year-on-year change	Volume	Year-on-year change	Volume	Year-on-year change
Total	23,929,935	(2.4)	23,387,415	(2.3)	<b>22,780,497</b>	<b>(2.6)</b>
Mail	21,227,985	(3.5)	20,582,749	(3.0)	<b>19,812,099</b>	<b>(3.7)</b>
Domestic	21,158,740	(3.5)	20,521,443	(3.0)	<b>19,757,937</b>	<b>(3.7)</b>
Standard mail	20,587,495	(3.4)	20,054,205	(2.6)	<b>19,299,629</b>	<b>(3.8)</b>
First-class	10,332,283	(3.7)	9,915,441	(4.0)	<b>9,319,093</b>	<b>(6.0)</b>
Second-class	6,867,688	(1.1)	6,851,784	(0.2)	<b>6,796,473</b>	<b>(0.8)</b>
Third-class	449,705	(15.6)	346,552	(22.9)	<b>297,611</b>	<b>(14.1)</b>
Fourth-class	25,785	(6.1)	24,930	(3.3)	<b>24,016</b>	<b>(3.7)</b>
New Year's postcards	2,900,641	(2.7)	2,856,016	(1.5)	<b>2,812,114</b>	<b>(1.5)</b>
Election mail	11,393	(88.9)	59,481	422.1	<b>50,321</b>	<b>(15.4)</b>
Special mail	571,245	(5.4)	467,238	(18.2)	<b>458,309</b>	<b>(1.9)</b>
International (dispatched)	69,245	(4.8)	61,306	(11.5)	<b>54,162</b>	<b>(11.7)</b>
Standard mail	57,835	(4.9)	50,543	(12.6)	<b>43,885</b>	<b>(13.2)</b>
Parcels	1,567	(0.1)	1,531	(2.3)	<b>1,402</b>	<b>(8.4)</b>
EMS	9,843	(4.6)	9,233	(6.2)	<b>8,874</b>	<b>(3.9)</b>
Parcels	2,701,950	6.9	2,804,666	3.8	<b>2,968,398</b>	<b>5.8</b>
Yu-Pack	277,057	2.0	233,008	(5.8)	<b>343,316</b>	<b>47.3</b>
Yu-Mail	2,424,893	7.5	2,540,631	4.8	<b>2,621,576</b>	<b>3.2</b>
EXPACK			31,026	4.7	<b>3,506</b>	<b>(88.7)</b>

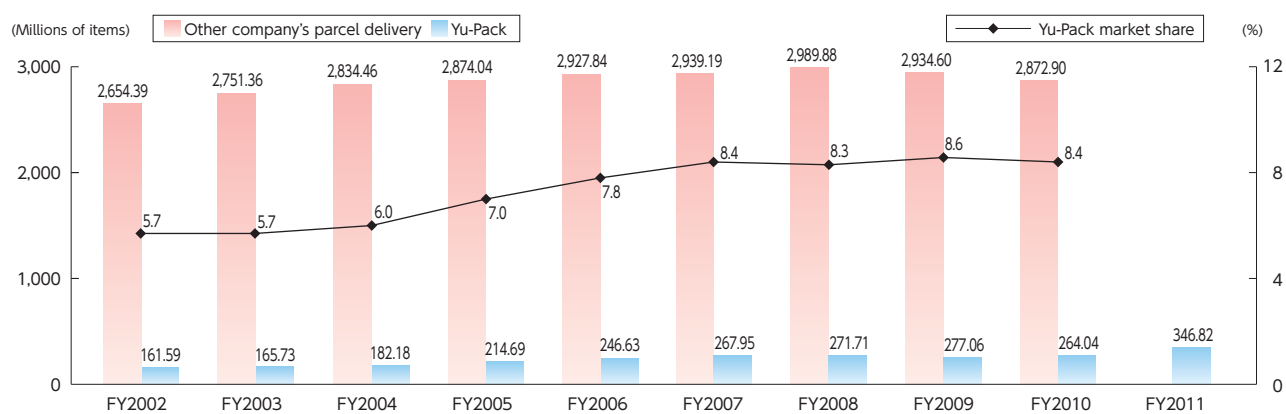
Notes: 1. Sums of individual items may not match totals due to rounding.  
2. The number of Yu-Pack parcels in fiscal 2009 includes EXPACK parcels.  
3. EXPACK service was discontinued at the end of March 2010.



## 2 Total Consigned Volume of Mail

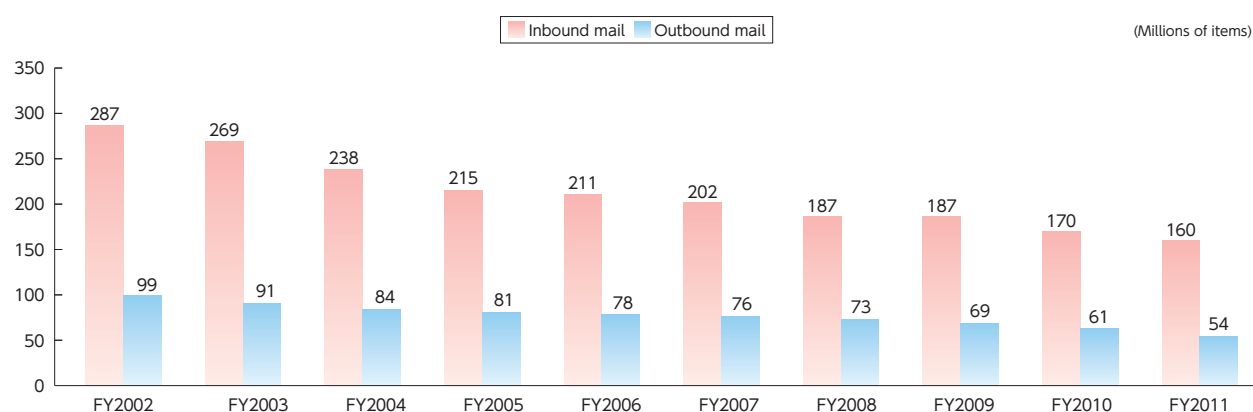


## 3 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share



Notes: 1. Fiscal 2011 other companies' parcel delivery volume has not yet been announced (as of June 30, 2011).  
2. The number of Yu-Pack parcels includes EXPACK parcels.

## 4 Volume of International Mail



## 5 Daily Mail Delivery Volume and Points

	Fiscal 2009	Fiscal 2011
Daily mail delivery volume	About 68 million items	<b>About 64 million items</b>
Daily delivery points	About 32 million points	<b>About 31 million points</b>

Note: No survey for fiscal 2010 has been implemented.

## 6 Postal Service Quality Survey (Days to Arrival)

Beginning in fiscal 1999, an annual survey has been conducted to determine the percentage of mail delivered within the targeted number of days, with the results made public. The purposes of the survey are to supply accurate information concerning the quality of postal services and further improve the quality of services.

All branch offices display a Postal Delivery Time Table (Service

Level Table) that provides information to the public regarding the times needed for mail to reach its destination. Survey results are shown as the percentage of total items sent that were delivered within the number of days prescribed in the Postal Delivery Time Table.

Survey results in fiscal 2011 were as follows.

### ■ Nationwide Achievement Rate of Average Days to Delivery

	Fiscal 2009	Year-on-year change	Fiscal 2010	Year-on-year change	Fiscal 2011	Year-on-year change
Nationwide average	98.3%	0.5%	98.5%	0.2%	<b>98.5%</b>	<b>0.0%</b>
For mail within the same prefecture	98.6%	0.3%	98.7%	0.1%	<b>98.9%</b>	<b>0.2%</b>
For mail to a neighboring prefecture	97.8%	0.8%	98.2%	0.4%	<b>98.0%</b>	<b>(0.2%)</b>
For mail to other prefectures	98.1%	0.7%	98.3%	0.2%	<b>98.0%</b>	<b>(0.3%)</b>

In addition to postal operations, Japan Post Service has documentary stamp sales business activities.

#### ■ Documentary Stamp Sales

Sales of documentary stamps for the Japanese national government were as follows.

(Millions of yen)

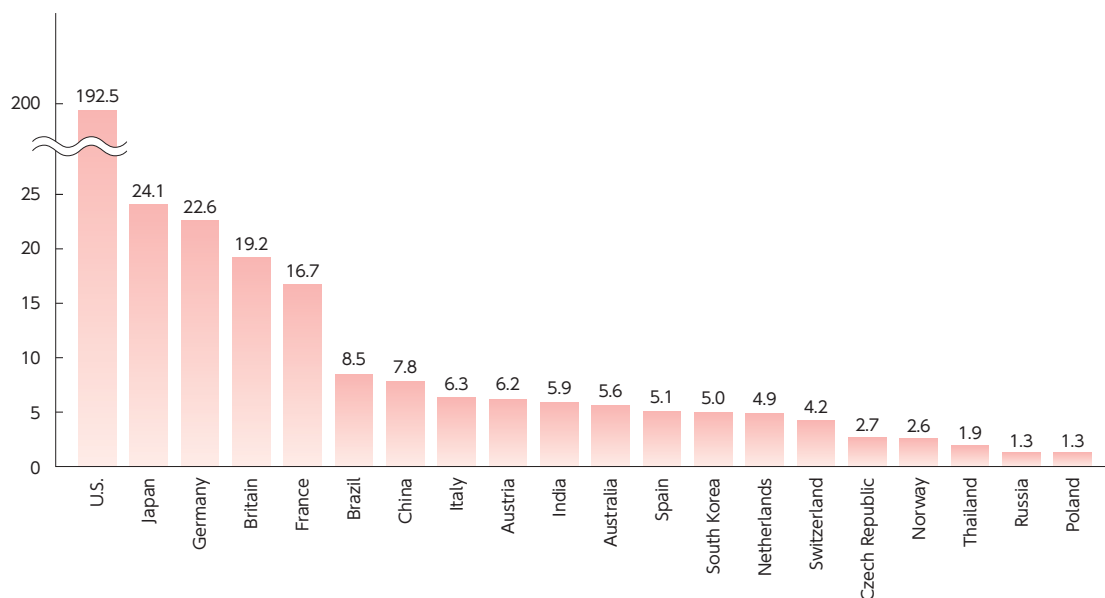
Category	Fiscal 2009	Fiscal 2010	Fiscal 2011
Revenue stamps	803,307	771,644	<b>745,239</b>
Automobile weight tax documentary stamps	1,121,981	996,348	<b>789,683</b>
Unemployment insurance documentary stamps	506	452	<b>449</b>
Health insurance documentary stamps	2,912	2,656	<b>3,271</b>
Patent documentary stamps	126,493	101,638	<b>102,906</b>
Registration documentary stamps	65,590	53,273	<b>46,628</b>
Total	2,120,789	1,926,011	<b>1,688,176</b>

Note: Figures shown are gross sales for each category of documentary stamp. These proceeds are submitted to the Japanese national government after deduction of handling fees (including consumption and other taxes). The handling fee is 5.25% for unemployment insurance and health insurance documentary stamps and 3.15% for all other documentary stamps (including consumption tax).

## Reference: Postal Services in Other Countries

### 1. Volume of Mail Received (Top 20 Countries in 2008)

(Billions of items)



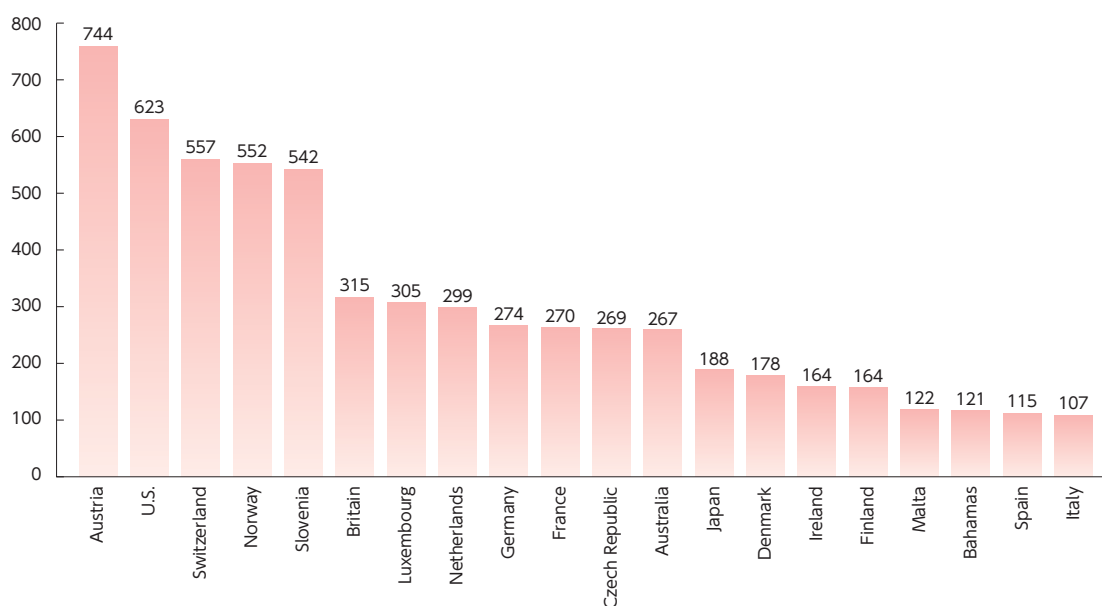
Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2008).

2. "Mail volume" is the total for all domestic and international (dispatched) ordinary and express mail, parcels and insured mail items.

3. As the publication of mail volume figures and classifications differ by country, the totals here are only for the publicized volumes, which are ranked in order.

### 2. Annual Mail Volume Per Capita (Top 20 Countries in 2008)

(Items per person)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2008).

2. "Mail volume" is the total for all domestic and international (dispatched) ordinary and express mail, parcels and insured mail items.

3. As the publication of mail volume figures and classifications differ by country, the totals here are only for the publicized volumes, which are ranked in order.



## Reference: International Comparison of Postage Rates

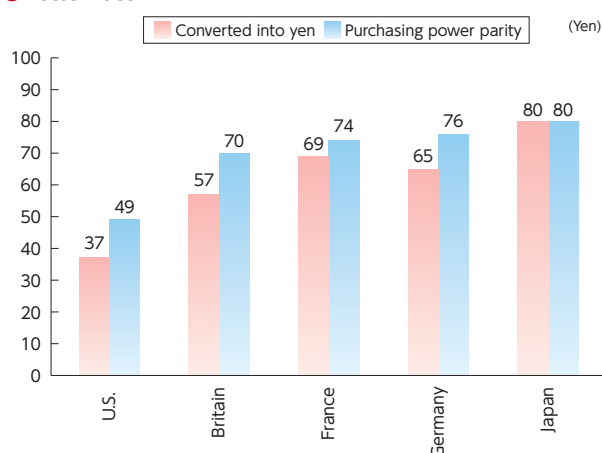
### ■ Comparison of Domestic Postage Rates

Based on the conversion of foreign postage rates into yen, domestic postage rates in Japan are generally at around the same level as major European countries (Britain, France, Germany) for letters. Postcard rates are lower in Japan.

In the United States, postage rates for both domestic letters and postcards are lower than in Japan. The reason is that the volumes of mail handled in the United States are approximately eight times greater than in Japan (the amount of mail sent per capita is roughly threefold higher), thereby resulting in higher delivery efficiency.

### ■ Comparison of Domestic Letter and Postcard Postage Rates in Selected Countries

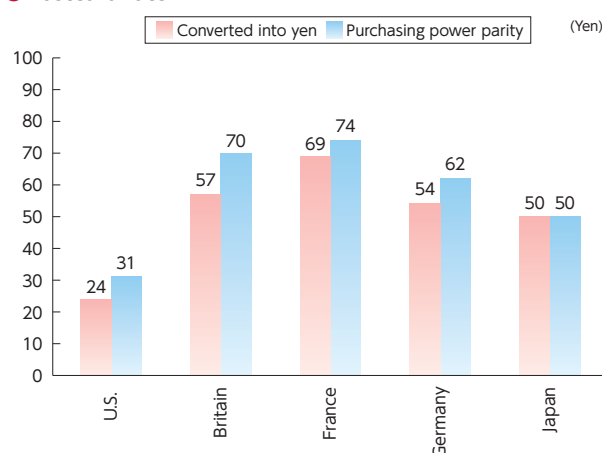
#### ● Letter rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.44	£0.41	€0.58	€0.55	¥80
Yen equivalent	¥37	¥57	¥69	¥65	¥80
Purchasing power parity	¥49	¥70	¥74	¥76	¥80

Notes: 1. Only Japanese postage rates include consumption tax.  
 2. Yen conversions use the exchange rate as of March 31, 2011 (Bank of Tokyo-Mitsubishi UFJ TTS rate).  
 3. Purchasing power parities use exchange rates that make price levels equal in Japan and the other countries. Calculations are based on Purchasing Power Parities (2010 average OECD Main Economic Indicators).

#### ● Postcard rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.28	£0.41	€0.58	€0.45	¥50
Yen equivalent	¥24	¥57	¥69	¥54	¥50
Purchasing power parity	¥31	¥70	¥74	¥62	¥50

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥84.15	¥111.45
£1 (Britain)	¥137.89	¥169.72
€1 (France)	¥119.07	¥127.76
€1 (Germany)	¥119.07	¥138.63

### ■ Comparison of International (Air) Postage Rates

The following table shows postage rates for air mail sent in both directions between Japan and four major countries. Postage rates

for mail sent from Japan are cheaper in all cases except for air mail (25 g) from the United States to Japan.

	Letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	—	¥110	—	¥70
U.S. to Japan	\$0.98	¥82	\$0.98	¥82
Britain to Japan	£1.46	¥201	£0.67	¥92
France to Japan	€1.75	¥208	€0.87	¥104
Germany to Japan	€1.45	¥173	€0.75	¥89

Note: Yen conversions use the exchange rate as of March 31, 2011 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

### 3. Operations of Japan Post Bank



**Shigeo Kawa**

Director, Chairman  
Japan Post Bank Co., Ltd.

**Yoshiyuki Izawa**

Director, President & CEO  
Japan Post Bank Co., Ltd.

## Message from the Company



### Review of Fiscal 2011

We would like to convey our deepest sympathy to persons who suffered from the Great East Japan Earthquake in March 2011 as well as to those with connections to the victims. We are hoping for the earliest possible recovery.

Japan Post Bank Co., Ltd. will make its utmost efforts to be of help to persons impacted by the earthquake while also strengthening its management foundation and working to provide even better products and services to serve as “the most convenient and dependable bank in Japan.”

In fiscal 2011, we worked to strengthen our management foundation under a business model that aims at “securing stable earnings,” “emphasizing our public nature and regional characteristics,” and “integrating operations with Japan Post Network.” Specifically, Japan Post Bank made efforts to enhance its internal management systems, advance its sales strategy, augment its asset and liability management (ALM) strategy and strengthen management systems. These initiatives are predicated on the fundamental concept of thorough compliance.

First, in our effort to enhance our internal management systems, we strengthened our compliance and systems for protecting customer assets and information as well as raised the quality and promoted reforms of banking clerical operations.

Next, in our effort to advance our sales strategy, we worked to strengthen our sales system through such measures as setting up area headquarters at 13 locations across Japan, strengthening our partnership with Japan Post Network, and fortifying management at branches. Additionally, we began offering the JP BANK JCB Card EXTAGE, a credit card targeting younger-aged customers. We also strengthened our advertising campaigns through initiatives that included the start of national broadcasts of the *Nippon Zenkoku, Yucho Kazoku* series of TV commercials.

In our efforts to augment our ALM strategy, while appropriately controlling interest risk we sought to secure stable periodical income by dispersing risk and diversifying sources of revenue through the diversification of investment methods. At the same time, we invested in Japanese local government bonds, Japanese corporate bonds and foreign bonds as part of efforts to further disperse risk and diversify sources of revenue.

As specific initiatives to strengthen our management systems, we fortified and expanded our human resources education and implemented training based on employee job levels.

As a result of these efforts, despite such adverse factors as a decline in deposit balances, we worked to secure investment income and recorded net income of ¥316.3 billion in fiscal 2011, which surpassed our initial target.

Japan Post Bank responded to the Great East Japan Earthquake by making its utmost efforts to provide services to customers. These efforts included offering emergency services to persons who lost their bank deposit passbooks in the disaster, providing a free remittance service for disaster relief funds and temporarily operating on Saturdays and Sundays in the disaster-stricken areas.

Japan Post Bank has positioned corporate social responsibility as one of our top management issues and has strengthened partnerships with the other companies in the Japan Post Group aimed at becoming the most convenient and dependable bank in Japan while fulfilling our corporate social responsibility.

## Issues for the Future

Japan Post Bank has designated fiscal 2012 as the year for steadily executing measures to "strengthen our management foundation" and will implement the following measures predicated on the fundamental concept of thorough compliance.

First, in internal management systems, we will continue

working to strengthen management systems for compliance and the protection of customer assets and information, and strive to regain the trust of our customers.

Next, we will strengthen our sales systems while implementing measures to raise profitability and cultivating new customers. Specifically, we will further advance the functions of area headquarters and promote unified business development with Japan Post Network. We will also work to maintain deposits by continuing to provide a service that offers preferential interest rates on *TEIGAKU* deposits. Concurrently, we will strengthen our customer base by fortifying our approach to the younger-aged market segment and by implementing proactive initiatives for corporate sales. In addition, we will support the development of local communities and raise our corporate brand through such activities as sponsoring the JAPAN U-12 FOOTBALL CHAMPIONSHIP as well as continuing the *Nippon Zenkoku*, *Yucho Kazoku* series of TV commercials and commencing *Yucho LETTER for LINKS*, an FM radio program based on the theme "Ties of the Heart."

Turning to investment operations, we will diversify assets and secure more stable periodical income by diversifying investment methods based on appropriate risk control through more sophisticated ALM. Moreover, while raising the sophistication of our risk management we will actively promote operations that contribute to the vitalization of local economies.

Going forward, the management and employees of Japan Post Bank will continue to make their utmost concerted efforts to realize our goals and we ask for your continued support.

# 1. Overview of Operations

Japan Post Bank undertakes the banking business within the Japan Post Group.

The company provides a range of services including deposits, fund transfers and settlement services through an extensive network consisting of 24,000 facilities nationwide, including branches as well as post offices that serve as agents. Japan Post Bank is dedicated to serving as "the most convenient and dependable bank in Japan," with operations that are guided by the needs and desires of its customers.

## 1. Retail products and services

### ■ Basic services

Japan Post Bank branches and post offices nationwide offer basic financial products and services that include such liquid deposits in the form of ordinary deposits and savings deposits; time and savings deposits such as time deposits and *TEIGAKU* deposits; and transfer and settlement services that include fund transfers and remittances. Although deposits at Japan Post Bank are no longer covered by government payment guarantees following privatization, principal of up to ¥10 million in addition to interest are guaranteed through a deposit insurance scheme. At the end of March 2011, Japan Post Bank's total deposits from customers in Japan amounted to ¥175 trillion.

As additional services, Japan Post Bank also pays benefits from public pensions, sells Japanese government bonds and investment trusts, offers home loan and other intermediary services, and operates a credit card business.

\* The Management Organization for Postal Savings and Postal Life Insurance manages time and savings deposits established prior to privatization. However, Japan Post Bank is commissioned by that organization to handle withdrawals and other transactions. These transactions can therefore be carried out at post offices and Japan Post Bank branches.

### ■ Enhancing products and services

During fiscal 2011, we began offering the following new products and services:

#### ● Debut of JP BANK JCB Card EXTAGE

In February 2011, we started offering a combined ATM/credit card, JP BANK JCB Card EXTAGE, targeting customers aged 18 to 29.

New, first-time members are given the privilege of not being charged with the annual membership fee for five years and enjoy extra points for shopping, which is three times and 1.5 times the points given to members of our standard credit cards for the first three months and in and after the fourth month, respectively (the latter privilege terminates if the amount paid using this credit card during the first year is less than ¥200,000, and points to be given will be the same as standard credit card members). They also receive preferential services when shopping at JCB ORIGINAL SERIES partner shops, which include popular apparel shops and restaurants.



JP BANK JCB Card EXTAGE

## TOPICS

### Running the "Freshers Campaign"

In February through to May 2011, we ran the "Freshers Campaign," giving out special goods featuring *Yucho Kazoku* (*Yucho Family*) to a total of 14,000 prizewinners.



### *Nippon Zenkoku, Yucho Kazoku, a Series of TV Commercials for Viewers around the Country*

In August 2010, we launched a series of TV commercials for broadcast across the country, *Nippon Zenkoku, Yucho Kazoku* ("Anywhere in Japan, we are *Yucho family*"), centered around the concept of creating a bond of happiness.

This commercial series features a humorous and heart-warming story of a young man, who has come to work in a big city, and his ties with people around him and his family back in his hometown. The story tells the significance of having a bond with someone and how we could help to build this bond of happiness through our services. These TV commercials show our extensive, convenient and friendly line of products and services for people of all generations, available at 24,000 post offices and our branches throughout the country.

Upon the launch of this TV commercial series, we also opened a special page, *Yucho Kazoku*, on our website.





## TOPICS

### ***Yucho LETTER for LINKS*, an FM Radio Program about "Ties of the Heart"**

We sponsor an FM radio program, *Yucho LETTER for LINKS*, which went on air for the first time on May 1, 2011 in 38 member radio stations of the Japan FM Network across the country, including TOKYO FM.

With "Ties of the Heart" as its main theme, this heart-warming weekly program opens with a letter from someone and goes on to explore the origin of his or her ties of the heart. Those memories and encounters let us discover again the significance of being connected with someone and the strength of our words.

We hope to bring joy to listeners.

#### ***Yucho LETTER for LINKS***

Presenter: Michiko Hada  
Broadcast on: Sundays from 15:00 to 15:30  
Official website: <http://www.tfm.co.jp/links/>  
Also available on podcast.



## 2. Investment

Interest income, primarily from investment in Japanese government bonds, carries a large amount of weight in our current earnings structure. Looking ahead, we need to secure stable periodical income to attain and maintain sound management. In doing so, we also need to implement an investment business model designed to disperse risk and diversify sources of revenue through adoption of more diverse investment methods, while performing appropriate control of interest risk.

ALM in Japan Post Bank consists of securing more stable periodical profit or loss through integrated management of our asset and liability portfolio; and gaining market and customer confidence by improving the net asset value, while applying integrated management of risk associated with fluctuations in fair values of our asset and liability portfolio.

Our investment policy is to secure overall income while adopting appropriate risk control. More specifically, we conducted adequate management of the duration of managed assets based on liabilities and a range of plausible interest scenarios, and strived to secure a stable interest spread between assets and liabilities, which is our principal source of revenue, by hedging certain interest rate risk with interest rate swaps.

We also worked to disperse risk and diversify sources of revenue through measures such as investing in Japanese local government bonds, Japanese corporate bonds and foreign bonds; participating in syndicated loans (joint financing); and managing investment trusts.

## 3. Community service

Japan Post Bank considers corporate social responsibility (CSR) to be a management issue of the highest priority.

We are committed to fulfilling that responsibility by continuing to strive to be "the most convenient and dependable bank in Japan."

### ■ Holding the original piggy bank design contest

For our 35th original piggy bank design contest, we received 782,463 applications from 11,905 elementary schools across Japan from August 23 to September 30, 2010. These joyous and amazing piggy banks went through the preliminary and secondary judging, and award winners were picked in December 2010.



Piggy bank that won the Minister of Education, Culture, Sports, Science and Technology Incentive Award (first grade group)

### ■ Special Fee Discount for the Visually Impaired Customers

In January 2011, we started offering a special discount on the money transfer fees for visually impaired customers. By showing their physical disability certificates at the counter, they will be charged a lower commission fee, which is the same as the one charged when transferring money using ATMs.

## TOPICS

### **Support for the 35th JAPAN U-12 FOOTBALL CHAMPIONSHIP**

With the aim of supporting children with great promise, and to foster their sound physical and mental growth and development, we are providing support to the ongoing 35th JAPAN Under-12 FOOTBALL CHAMPIONSHIP.

A regional preliminary competition was held in each prefecture during the period from April to June 2011. The national tournament will be held at the Susono Soccer Field in Gotenba Kogen Tokino Sumika, Shizuoka Prefecture, and at other venues in August 2011.







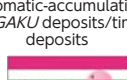
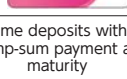
A poster showing our support to the 35th JAPAN U-12 FOOTBALL CHAMPIONSHIP



## 2. Products and Services

### 1. Deposits

(As of July 1, 2011)

Product or service		Description	Time period/unit of deposit
Liquid deposits	Ordinary deposits 	These deposits are useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and annuities, and many other purposes.	Unlimited deposits and withdrawals ¥1 or more ¥1 unit
	Ordinary savings deposits 	These deposits provide more beneficial interest rates than ordinary deposits for balances of ¥100,000 or higher.	Unlimited deposits and withdrawals ¥1 or more ¥1 unit
Time and savings deposits	TEIGAKU deposits 	These deposits can be withdrawn at any time after six months and held for up to ten years, with interest compounded semiannually. The initial interest rate is applicable until withdrawal.	Deferment period: Six months (unlimited withdrawals after this period) ¥1,000 or more ¥1,000 unit (Eight types: Deposits of ¥1,000, ¥5,000, ¥10,000, ¥50,000, ¥100,000, ¥500,000, ¥1 million, and ¥3 million)
	Time deposits 	These deposits have maturities that can be selected based on short-term and medium-term requirements for funds and personal needs. The extension procedure is simplified if automatic extensions are selected, making this deposit convenient for people with busy schedules.	Deposit periods: One month, three months, six months, one year, two years, three years, four years, and five years (excluding one-month deposits kept in deposit combined accounts) ¥1,000 or more ¥1,000 unit
	Automatic-accumulation TEIGAKU deposits/time deposits 	For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a TEIGAKU deposit or time deposit. These automatic-accumulation deposits also allow funds to be deposited only in specifically designated months up to six times per year. Funds deposited in specifically designated months can also be combined with funds deposited regularly every month.	Accumulation period: Six years or less ¥1,000 or more ¥1,000 unit
	Time deposits with lump-sum payment at maturity 	For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a time deposit. At a pre-designated date (date for receiving a lump-sum payment at maturity), the accumulated deposits are transferred to an ordinary deposit. This type of deposit allows systematic accumulations in accordance with a person's future goals.	Accumulation period: From one year up to three years ¥1,000 or more ¥1,000 unit
	Asset accumulation TEIGAKU deposits	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for three years or longer to help working people build assets.	Duration: Three years or more ¥1,000 or more ¥1,000 unit
	Asset accumulation pension TEIGAKU deposits	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to help working people live comfortable lives in retirement. Interest is tax exempt and can be received from age 60 based on a pension-type payout method.	Duration: Five years or more ¥1,000 or more ¥1,000 unit
	Asset accumulation home TEIGAKU deposits	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to accumulate funds for building, purchasing, or renovating a home. Interest is tax exempt.	Duration: Five years or more ¥1,000 or more ¥1,000 unit
	Yucho pension time deposits	This one-year time deposit with preferential interest rates is designed for persons who automatically receive benefit payments from public pensions through Japan Post Bank, persons who will begin to automatically receive benefit payments from public pensions through Japan Post Bank, and foreign residents of Japan aged 65 or older who do not qualify for benefits under a public pension scheme.	Deposit period: One year ¥1,000 or more ¥1,000 unit
	New welfare time deposits	This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor, and other similar public pensions. Up to ¥3 million can be deposited.	Deposit period: One year From ¥1,000 up to ¥3 million ¥1,000 unit

### 2. Domestic Remittances

Product or service	Description
Remittances	Remittances provide a simple and low-cost method for sending money anywhere in Japan. There are two types: ordinary remittances and postal orders (TEIGAKU KOGAWASE).
Ordinary remittances	Ordinary remittances allow cash to be exchanged for a money order that is sent to the recipient payee. The payee can then bring the certificate to a nearby Japan Post Bank branch or post office postal deposit counter and exchange the money order for cash.
Postal orders	The mechanisms for these remittances are the same as for ordinary remittances. However, postal orders offer lower fees and convenience when remitting small amounts. There are 12 types of money orders for postal orders in denominations of ¥50, ¥100, ¥150, ¥200, ¥250, ¥300, ¥350, ¥400, ¥450, ¥500, ¥750, and ¥1,000.
Fund transfers	Fund transfers provide an easy and reliable means of sending money by using a transfer account. In-payment and out-payment can be handled normally or by electronic transfer for urgent transfers.
In-payment	In-payment remittances by persons not holding a transfer account can be sent to persons holding transfer accounts (account holders).
Electronic transfers	Persons holding a transfer account (account holders) can send deposits in the transfer account to a transfer account held by another person.
Transfers	Persons holding a transfer account (account holders) can transfer funds to persons holding a savings account at another financial institution.
Out-payment	Persons holding a transfer account (account holders) can send funds to persons not holding a transfer account.

### 3. International Remittances

Product or service	Description
Account transfer	The remittance amount and charge are deducted from the remitter's integrated account or <i>giro</i> account, and the remittance amount is transferred to an overseas payee's bank or postal <i>giro</i> account.
Payment to account	The remittance amount and charge are paid in cash, and the remittance amount is transferred to an overseas payee's bank or postal <i>giro</i> (postal transfer) account.
Payment to address	The remittance amount and charge are paid in cash, and a money order or other document is delivered to the overseas payee's address. The payee can then cash the money order or other document at a local post office. For remittances to the United States, the remitter must send the money order to the payee.

### 4. Individual Loans

Product or service	Description
Loan intermediary service	Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans and card loans offered by Suruga Bank Ltd. based on an alliance with this bank. Customers can apply for these loans at select Japan Post Bank branches, by telephone or via the Internet.
Yume Butai home loan	This line features 16 types of home loans matched to the lifestyle of each individual, including persons operating sole proprietorships, working women and seniors thinking ahead to the retirement stage of their lives. These home loans can be used for building a new home, expanding and renovating an existing home, moving to a new home and refinancing.
Yume Koro free loan	This line of loans is available in two types: a "purpose" type and a "parental-devotion" type. The "purpose" type is available in amounts of up to ¥5 million, and is offered in seven plans that are matched to the particular life stage of each person, including education, automobile and renovation plans. The "parental-devotion" type is available in amounts of up to ¥10 million, providing funds necessary to cover such expenses as family members' nursing care.
Shitaku Card Loan	Borrowing and repayment can be made directly from ATMs with this card loan. No collateral is needed, and loans of up to ¥5 million are available (¥3 million for the first application).

### 5. Investment Products

Product or service	Description
Japanese government bonds (JGBs)	Sales of JGBs to be sold (two-, five- and ten-year maturities) and nonmarketable JGBs for individual investors (three- and five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds
Investment trusts	Sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions
Variable annuities	Intermediary services for sales of insurance products such as variable annuities

#### ■ Customer seminars to assist in asset accumulation

In addition to holding seminars on investment trusts and variable annuities, including such topics as the investment environment, investment awareness and investment reporting, we offer a variety of seminars such as large-scale sessions with outside economic analysts and other experts and hands-on seminars utilizing portfolio games in order to provide useful information for asset accumulation and asset management by customers. Customer seminars, which are held at Japan Post Bank branches and post offices nationwide, provide a valuable opportunity to listen to explanations from financial experts, and they are consistently attended by large customer audiences. For more information about upcoming seminars, visit the Japan Post Bank website.



A customer seminar

### 6. Credit and Debit Cards

Product or service	Description
Credit cards (JP BANK CARD)	Japan Post Bank issues the JP BANK CARD, which is both an ATM card and a credit card (available in three types: Visa, MasterCard and JCB). In addition, we started offering in February 2011 another combo card, JP BANK JCB Card EXTAGE, for customers aged 18 to 29. We also offer family cards, ETC cards, WAON cards <sup>*1</sup> , PiTaPa cards <sup>*1</sup> , iD (cell phone) cards <sup>*1</sup> and QUICPay <sup>*2</sup> (card and mobile). <sup>*1</sup> Visa and MasterCard only. <sup>*2</sup> JCB only.
Debit cards	After customers scan their debit card using a dedicated terminal and enter a personal identification number at such locations as retail electronics stores and supermarkets, purchase amounts are immediately debited from their general account (subject to an upper limit).



JP BANK VISA Card



JP BANK MasterCard



JP BANK JCB Card



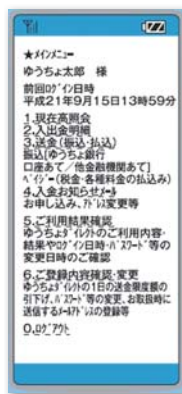
JP BANK JCB Card EXTAGE

## 7. Internet Banking Services

Product or service	Description
<b>Yucho Direct</b> (Internet, mobile phone and telephone banking services)	This service allows customers to use a PC, mobile phone, telephone or facsimile machine to make deposits to <i>TEIGAKU</i> deposits and time deposits used as collateral, initiate electronic transfers (between Japan Post Bank accounts), transfer funds to another financial institution and verify account deposit and withdrawal transactions.
<b>Yucho Pay-Easy Service</b>	This service enables taxes and various types of fees to be paid through ATMs and <i>Yucho Direct</i> (Internet and mobile phone banking services). The service also immediately reports data concerning completed payments to the recipient financial institution.
<b>Toshin (investment trust) Direct</b>	We sell investment trusts via the Internet (PCs).



Yucho Direct  
(Internet banking services)



Yucho Direct  
(Mobile phone banking services)



Toshin Direct  
(Providing information for investment trusts)

## 8. Other Services

Product or service	Description
<b>"Japan Post Bank Deposits for International Aid"</b>	"Japan Post Bank Deposits for International Aid" sets aside 20% of interest received on ordinary deposits and ordinary savings (after-tax) for use as contributions toward improving daily living and protecting the environment in developing countries and regions. These contributions are made via the Japan International Cooperation Agency (JICA) Donation Fund for the People of the World.
<b>ATM/CD alliance</b>	ATM cards and other eligible cards issued by affiliated financial institutions can be used at Japan Post Bank ATMs, and vice versa.
<b>Foreign currency exchange</b>	Exchange services are offered for eight currencies: U.S. dollar, Chinese yuan, Canadian dollar, British pound sterling, South Korean won, Australian dollar, Swiss franc and euro. (The Chinese yuan can be exchanged only at certain outlets.)
<b>Traveler's checks</b>	Traveler's checks are available in six currencies: U.S. dollar, Canadian dollar, British pound sterling, Australian dollar, euro and Japanese yen.
<b>Payment of benefits from pensions and other types of assistance</b>	Japan Post Bank handles the payment of benefits from various pensions and assistance schemes that include the payment of benefits from pensions, senior welfare pensions, national pensions, employees' pensions, mariners' insurance pensions, workers' compensation pension insurance, cover pensions, child-rearing allowances, special child-rearing allowances and mutual aid pensions. Japan Post Bank also provides payments from registered bonds and annual payouts (national tax refunds).
<b>Collection of fees for public utility and other service payments</b>	Japan Post Bank collects various types of payments. These include payments for national taxes (personal income and corporate taxes); local taxes (local inhabitant taxes and fixed-property taxes); various types of health insurance; pensions (national health insurance, employee's pensions); public housing fees; public utility and service fees such as electricity, gas, water, and NHK public televisions fees; traffic violation fines; and radio utilization fees.

Notes: 1. Payments received from various types of pensions are paid by automatic deposit into the customer's ordinary deposit account.  
2. Some payments and public utility fees are paid automatically through withdrawals from the customer's ordinary deposit account.

## 9. Services Available in Braille

Product or service	Description
<b>Ordinary deposit statement</b>	Customers receive by mail a Braille statement once or twice each month listing deposits, withdrawals, utility payments, account balances and other information. For deposit passbooks, we can attach a Braille sticker showing the type of deposit (and a sticker with the individual's name and the type of deposit for passbook storage envelopes).
<b>Time deposit and <i>TEIGAKU</i> deposit terms</b>	With a deposit certificate, we provide a Braille document that explains the deposit's contract terms. We can attach a Braille sticker to the deposit certificate showing the type of deposit (and a sticker with the individual's name and the type of deposit for certificate storage envelopes). For loans secured by <i>TEIGAKU</i> deposits and other deposits, we provide a Braille document explaining the terms of the loan. In addition, upon maturity of the deposit, we send the customer a Braille notice of the maturity date and the amount that will be received.
<b>Notice of account transfers</b>	Each time a payment is made to or from an account, we send a Braille notice of the amount received or paid to the account holder. However, this does not include the name of the individual in Braille who has sent the money.
<b>Use of ATMs</b>	Japan Post Bank ATMs have Braille instructions and Braille keyboards, allowing visually impaired customers to use ATMs with a sense of reassurance. Furthermore, customers can use the built-in telephone receiver or connect their own earphones to receive instructions by voice and get information such as remittance and account balances.
<b>Braille ATM card</b>	Customers can ask for an ATM card with their name printed in Braille as well as a separate Braille explanation of how <i>Yucho IC Cash Cards</i> can be used.
<b>Product and service pamphlets in Braille</b>	Customers can receive Braille pamphlets explaining products and services at any Japan Post Bank branch and postal savings counters at post offices. Customers can ask for these pamphlets when using products and services. These publications are also available at Braille libraries.

## 3. Japan Post Bank Business Performance

### 1 Key Financial Indicators

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Revenue	¥ 2,488,552	¥ 2,207,942	¥ 2,205,344
Operating profit (before provision for [reversal of] general reserve for possible loan losses)	480,602	489,157	508,753
Net operating profit	480,602	489,032	508,362
Net ordinary income	385,243	494,252	526,550
Net income	229,363	296,758	316,329
Common stock	3,500,000	3,500,000	3,500,000
Shares outstanding (thousands of shares)	150,000	150,000	150,000
Net assets	8,179,574	8,839,547	9,093,634
Capital assets	196,480,796	194,678,352	193,443,350
Deposits	177,479,840	175,797,715	174,653,220
Loans	4,031,587	4,022,547	4,238,772
Securities	173,551,137	178,230,687	175,026,411
Capital adequacy ratio (non-consolidated, domestic standard) (%)	92.09	91.62	74.82
Dividend payout ratio (%)	24.98	24.96	25.00
Employees (persons)	11,675	12,060	12,351

Notes:

- Deposits are as defined by the corresponding liability item in the Ordinance for Enforcement of Banking Act.
- The balance of deposits including accrued interest for the current period is ¥175,304,051 million. (¥176,468,699 million for fiscal 2010 and ¥178,050,017 million for fiscal 2009).
- The capital adequacy ratio is calculated based on standards stipulated by Article 14-2 of the Banking Act (Financial Services Agency Notification No. 19, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. Japan Post Bank adheres to capital adequacy standards applicable in Japan.
- The number of employees excludes Japan Post Bank employees assigned to other companies by Japan Post Bank but includes employees assigned to Japan Post Bank by other companies. The figures do not include short-term contract and part-time employees.

### 2 Balances by Type of Deposit

#### 1. At End of Fiscal Period

		(Millions of yen, %)					
		March 31, 2009		March 31, 2010		March 31, 2011	
		Amount	% of total	Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	59,660,898	33.61	57,113,869	32.48	59,846,906	34.26
	Transfer deposits	7,269,971	4.09	7,597,731	4.32	8,714,719	4.98
	Ordinary deposits and others	51,924,342	29.25	49,087,540	27.92	50,709,948	29.03
	Savings deposits	466,585	0.26	428,597	0.24	422,238	0.24
	Time and savings deposits	117,488,226	66.19	118,381,289	67.33	114,504,523	65.56
	Time deposits and others	18,698,993	10.53	27,475,685	15.62	22,005,855	12.59
	TEIGAKU deposits and others	98,738,612	55.63	90,891,424	51.70	92,494,319	52.95
	Other deposits	330,715	0.18	302,556	0.17	301,789	0.17
	Sub-total	177,479,840	100.00	175,797,715	100.00	174,653,220	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total		177,479,840	100.00	175,797,715	100.00	174,653,220	100.00
International operations	Total	—	—	—	—	—	—
Total		177,479,840	100.00	175,797,715	100.00	174,653,220	100.00
Deposits including accrued interest		178,050,017		176,468,699		175,304,051	

Notes:

- Liquid deposits = Transfer deposits + ordinary deposits + savings deposits  
Ordinary deposits and others = Ordinary deposits + special savings deposits (equivalent to ordinary postal savings)
- Time and savings deposits = Time deposits and others + TEIGAKU deposits and others + special savings deposits (accumulation postal savings equivalent + housing accumulation postal savings equivalent + education accumulation postal savings equivalent)  
Time deposits and others = Time deposits + special savings deposits (time savings equivalent)  
TEIGAKU deposits and others = TEIGAKU deposits + special savings deposits (TEIGAKU savings equivalent)
- "Transfer deposits" correspond to current deposits, and "TEIGAKU deposits" correspond to "other deposits" under liabilities as defined by the Ordinance for Enforcement of the Banking Act.
- Special savings deposits are deposits with banks from the Management Organization for Postal Savings and Postal Life Insurance and represent the postal savings of this organization that were passed on to Japan Post Bank from Japan Post.
- Special savings deposits (equivalent to ordinary postal savings) are the portion of deposits from the Management Organization for Postal Savings and Postal Life Insurance representing matured postal savings for time savings, TEIGAKU savings, accumulation postal savings, housing accumulation postal savings and education accumulation postal savings that were passed on to this organization from the former Japan Post.

#### 2. Average Balances

		(Millions of yen, %)					
		Fiscal 2009		Fiscal 2010		Fiscal 2011	
		Amount	% of total	Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	62,009,526	34.53	58,514,727	33.03	59,037,126	33.59
	Transfer deposits	7,342,643	4.08	7,480,475	4.22	8,252,069	4.69
	Ordinary deposits and others	54,176,865	30.16	50,589,235	28.56	50,360,275	28.66
	Savings deposits	490,018	0.27	445,016	0.25	424,781	0.24
	Time and savings deposits	117,184,987	65.25	118,321,109	66.80	116,377,366	66.23
	Time deposits and others	14,715,741	8.19	23,381,719	13.20	24,842,977	14.13
	TEIGAKU deposits and others	102,378,999	57.01	94,912,487	53.58	91,527,146	52.08
	Other deposits	378,761	0.21	279,331	0.15	298,601	0.16
	Sub-total	179,573,276	100.00	177,115,167	100.00	175,713,095	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total		179,573,276	100.00	177,115,167	100.00	175,713,095	100.00
International operations	Total	—	—	—	—	—	—
Total		179,573,276	100.00	177,115,167	100.00	175,713,095	100.00
Deposits including accrued interest		180,149,837		177,722,433		176,364,573	

## 3 Loans by Category

### 1. At End of Fiscal Period

	(Millions of yen)		
	March 31, 2009	March 31, 2010	March 31, 2011
<b>Domestic operations</b>			
Loans on notes	—	—	—
Loans on deeds	3,790,537	3,749,285	3,973,296
Overdrafts	241,050	238,741	222,961
Notes discounted	—	—	—
<b>Sub-total</b>	<b>4,031,587</b>	<b>3,988,027</b>	<b>4,196,258</b>
<b>International operations</b>			
Loans on notes	—	—	—
Loans on deeds	—	34,520	42,514
Overdrafts	—	—	—
Notes discounted	—	—	—
<b>Sub-total</b>	<b>—</b>	<b>34,520</b>	<b>42,514</b>
<b>Total</b>	<b>4,031,587</b>	<b>4,022,547</b>	<b>4,238,772</b>

### 2. Average Balances

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
<b>Domestic operations</b>			
Loans on notes	—	—	—
Loans on deeds	3,573,023	3,716,669	4,011,813
Overdrafts	247,793	233,365	224,029
Notes discounted	—	—	—
<b>Sub-total</b>	<b>3,820,816</b>	<b>3,950,035</b>	<b>4,235,842</b>
<b>International operations</b>			
Loans on notes	—	—	—
Loans on deeds	—	27,758	35,833
Overdrafts	—	—	—
Notes discounted	—	—	—
<b>Sub-total</b>	<b>—</b>	<b>27,758</b>	<b>35,833</b>
<b>Total</b>	<b>3,820,816</b>	<b>3,977,793</b>	<b>4,271,676</b>

## 4 Balance by Type of Securities

### 1. At End of Fiscal Period

	(Millions of yen)		
	March 31, 2009	March 31, 2010	March 31, 2011
<b>Domestic operations</b>			
Japanese government bonds	155,490,155	155,891,563	146,460,963
Japanese local government bonds	6,177,212	5,289,202	5,658,837
Commercial paper	542,904	364,959	102,999
Japanese corporate bonds	9,880,462	11,916,270	12,804,753
Stocks	900	900	900
Others	—	—	29,916
<b>Sub-total</b>	<b>172,091,634</b>	<b>173,462,895</b>	<b>165,058,368</b>
<b>International operations</b>			
Others	1,459,503	4,767,791	9,968,043
Foreign bonds	1,284,502	3,714,033	7,374,930
Foreign stocks	—	—	—
<b>Sub-total</b>	<b>1,459,503</b>	<b>4,767,791</b>	<b>9,968,043</b>
<b>Total</b>	<b>173,551,137</b>	<b>178,230,687</b>	<b>175,026,411</b>

### 2. Average Balances

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
<b>Domestic operations</b>			
Japanese government bonds	157,557,897	155,881,773	148,115,419
Japanese local government bonds	6,861,037	5,761,489	5,505,745
Commercial paper	437,789	394,109	314,284
Japanese corporate bonds	8,557,389	10,914,713	12,542,962
Stocks	833	900	900
Others	—	—	15,040
<b>Sub-total</b>	<b>173,414,947</b>	<b>172,952,986</b>	<b>166,494,352</b>
<b>International operations</b>			
Others	879,468	2,927,861	7,631,071
Foreign bonds	829,676	2,411,658	5,745,404
Foreign stocks	—	—	—
<b>Sub-total</b>	<b>879,468</b>	<b>2,927,861</b>	<b>7,631,071</b>
<b>Total</b>	<b>174,294,416</b>	<b>175,880,847</b>	<b>174,125,423</b>

## 5 Over-the-Counter Sales of Japanese Government Bonds

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
<b>Long-term bonds</b>	<b>90,731</b>	<b>94,120</b>	<b>84,372</b>
<b>Medium-term bonds</b>	<b>806,190</b>	<b>382,707</b>	<b>253,713</b>
<b>Bonds for individuals</b>	<b>285,003</b>	<b>152,949</b>	<b>123,573</b>
<b>Total</b>	<b>1,181,926</b>	<b>629,777</b>	<b>461,658</b>

## 6 Domestic Exchanges

	(Thousands of remittances, millions of yen)					
	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Remittances	Amount	Remittances	Amount	Remittances	Amount
<b>Sent (transfer)</b>	1,668	4,215,404	9,994	10,777,302	13,937	12,917,217
<b>Received (transfer)</b>	1,145	1,464,417	12,741	7,482,213	23,412	9,715,296

Note:

For the period from April 1, 2008, to December 30, 2008, domestic exchange balances reflected mutual remittances services between Japan Post Bank and other financial institutions. Effective January 5, 2009, the Bank became a member of the Zengin Data Telecommunication System (Zengin System), and all remittances are now transferred through that system. Accordingly, the number of remittances and amount of domestic exchanges with other financial institutions for the fiscal year ended March 31, 2009 are the sum of the mutual remittances services and the Zengin System remittances.



## 7 Transfer Deposits

(Thousands of remittances, millions of yen)

	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Remittances	Amount	Remittances	Amount	Remittances	Amount
In-payment	1,236,168	68,146,219	1,215,514	59,349,149	1,197,860	55,567,603
Transfers	87,756	62,125,079	93,288	52,372,599	97,914	52,221,009
Out-payment	131,003	67,532,728	130,615	56,384,340	125,914	50,583,116

Note: Figures for the period from April 1, 2008, to December 30, 2008 include the aforementioned 6. Domestic Exchanges.

## 8 Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

(Thousands of remittances, millions of yen)

	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Remittances	Amount	Remittances	Amount	Remittances	Amount
Ordinary remittances	4,359	64,312	3,772	59,714	2,384	44,200
Postal orders (TEIGAKU KOGAWASE)	24,079	11,314	19,647	10,381	17,367	9,369

## 9 Foreign Exchanges

(Thousands of remittances, millions of U.S. dollars)

Fiscal 2009		Fiscal 2010		Fiscal 2011	
Remittances	Amount	Remittances	Amount	Remittances	Amount
427	1,114	402	1,037	405	1,303

Note: Foreign exchange figures represent the total of international remittances and purchases and sales of traveler's checks.

## 10 Investment Trust Sales (Contract Basis)

(Thousands of contracts, millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Number of contracts	1,598	1,279	1,345
Sales value	171,395	133,885	172,714

(Thousands of accounts, millions of yen)

	March 31, 2009	March 31, 2010	March 31, 2011
Number of investment trust accounts	551	577	604
Net assets	815,666	980,930	960,336

Note: Investment trust sales figures have been rounded off.

## 11 Other Businesses

### Credit Cards

(Thousands of cards)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Cards issued	376	837	647

(Thousands of cards)

	March 31, 2009	March 31, 2010	March 31, 2011
Total cards issued (outstanding)	366	1,136	1,686

### Mortgage Loans

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
New loans (as intermediary)	56,247	74,045	61,865

(Millions of yen)

	March 31, 2009	March 31, 2010	March 31, 2011
Total new loans (as intermediary)	56,247	130,293	192,158

### Variable Annuity Policies

(Policies, millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Number of policies	3,786	6,216	8,022
Value of policies	17,615	31,359	40,866

(Policies, millions of yen)

	March 31, 2009	March 31, 2010	March 31, 2011
Total policies	3,786	10,002	18,024
Total value of policies	17,615	48,974	89,840

Notes:

- Japan Post Bank launched the credit card business on May 1, 2008, the mortgage loan intermediary business on May 12, 2008, and the variable annuity business on May 29, 2008.
- Japan Post Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

## 4. Operations of Japan Post Insurance



**Josuke Shindo**  
Director and Chairman, CEO  
Japan Post Insurance Co., Ltd.

**Izumi Yamashita**  
Director and President, COO  
Japan Post Insurance Co., Ltd.

### Message from the Company



#### Review of Fiscal 2011

We would like to express our sincere sympathy to the victims of the March 2011 Great East Japan Earthquake and to persons related to the victims.

We sincerely hope for the quickest possible recovery and reconstruction of the disaster areas and also wish for the well-being of everyone affected.

Looking back at fiscal 2011, although the Japanese economy showed signs of a self-sustaining recovery, there was a heightened sense of uncertainty about the future of the economy due to a decline in production activities and worsening corporate and household sentiment due to the impact of the Great East Japan Earthquake.

Under these economic circumstances, despite a slight decline in the insured amount from the previous fiscal year, Japan Post Insurance recorded growth in the number of new individual insurance policies for the third consecutive year, thereby sustaining a moderate recovery in sales of these policies. We attribute this favorable performance to the

establishment of a sales promotion system in cooperation with Japan Post Network.

In asset management operations, despite encountering such headwinds as low interest rates, the persistently strong yen and low stock prices, Japan Post Insurance secured stable profits by undertaking asset management based on yen-denominated interest-bearing assets with a high affinity to insurance liabilities.

As a result of these efforts, in fiscal 2011 Japan Post Insurance recorded increased profits, with net ordinary income of ¥422.2 billion and net income of ¥77.2 billion (compared with net ordinary income of ¥379.6 billion and net income of ¥70.1 billion in fiscal 2010). We continue to maintain a strong financial base, as evidenced by a solvency margin ratio of 1,821.6% (solvency margin ratio of 1,153.9% under the new standard effective from the end of fiscal 2012) and real net assets of ¥6,905.6 billion.

We believe these results were generally favorable overall when taking into account the ongoing harsh external environment, which included the need to make provisions to the reserve for outstanding claims in expectation

of approximately ¥60.0 billion for claims payments associated with the Great East Japan Earthquake. Our solid performance was due to everyone's support and we express our deepest appreciation to everybody for their outstanding efforts.

## Issues for the Future

In fiscal 2012, we will focus on making quick and reliable responses, which includes paying insurance benefits to customers who suffered damages in the Great East Japan Earthquake. Concurrently, we will undertake various initiatives focused on "five pillars" that we have designated as our highest priority management issues, namely: 1) increase new policies by raising productivity through expanded points of customer contact; 2) reform administrative operations and IT systems with the aim of raising the level of customer service; 3) maintain the soundness of our financial foundation; 4) enhance and strengthen our management control system; and 5) create an open organization and cultivate human resources.

Among these five initiatives, in our efforts to increase new policies, we are focusing especially on improving customer service based on a stronger partnership with Japan Post Network, our main sales channel. As part of these efforts, we are deploying our New Policy Processing System to reduce the burden on customers when they fill out insurance application forms and to speed up administrative work related to the underwriting process. This system will be gradually phased-in on a nationwide basis from October 2010 through August 2011. Japan Post Insurance will also offer "Comprehensive and Heartfelt

Services" (activities for following up on the contents of policies), which we continuously have implemented since fiscal 2011. Moreover, to better respond to customer needs, we will offer new products and services by raising insurance enrollment amount limits and improving existing products and services.

We are also promoting comprehensive reforms of administrative operations and IT systems with initiatives that include establishing systems and infrastructures. These reforms are aimed at providing customers with accurate, fast and highly convenient services, beginning with appropriate insurance benefit payments, which is the most crucial mission of a life insurance company, in addition to services in underwriting and policy management.

With all employees working in concert, Japan Post Insurance will continue to carry out its inherited social mission of "providing basic coverage for the people of Japan with insurance using simple procedures," which was the original goal of Postal Life Insurance when it was created in 1916. At the same time, we are guided by our management philosophy of moving forward with our customers while serving as "Japan's most familiar and trusted insurance company." In the future as well, we will also implement thorough compliance while cooperating with NHK (Japan Broadcasting Corporation) and Japan Radio-taiso Federation, a non-profit organization (NPO), to popularize exercise programs broadcast by radio, thereby supporting people's efforts to maintain their health as part of our corporate social responsibility (CSR) efforts.

In all our endeavors, we request and appreciate your continued support.

# 1. Overview of Operations

Japan Post Insurance undertakes the insurance business within the Japan Post Group.

The company provides definitive security through agents (the post offices of Japan Post Network) as well as directly operated sales offices (branches). The management philosophy of Japan Post Insurance is "moving forward with our customers while serving as 'Japan's most familiar and trusted insurance company.'"

## 1. Provision of Insurance Products and Services

Japan Post Insurance carries on the social mission of postal life insurance\* the same as prior to the privatization of Japan Post to "provide basic coverage for the people of Japan with insurance using simple procedures" through the provision of easy-to-understand and easy-to-use products and services developed from a customer standpoint.

Life insurance contracts with Japan Post Insurance following privatization differ from those prior to privatization in that there is no payment guarantee from the government. As with other life insurance companies in Japan, however, a policyholder protection scheme provides a certain degree of protection.

### (1) Agents

Japan Post Insurance uses the post offices of Japan Post Network for the nationwide provision of simple and easy-to-understand products in small amounts and through simple procedures, as well as the provision of associated services. Services primarily target households and individuals.

Japan Post Insurance has also established an Agency Relations Division for 80 directly managed sales offices in 80 major cities throughout the country to support sales promotion, training and development, and administrative affairs to help promote sales.

In addition, we work with Japan Post Network to develop products that meet customers' needs, develop new markets and service channels, and upgrade sales processes, taking advantage of our unique characteristics.

### (2) Directly managed sales offices

Japan Post Insurance has wholesale divisions in directly managed sales offices, and these divisions are responsible for providing products and services primarily to companies and in the workplace, mostly at small and midsize companies.

In order to respond to the needs of our customers, which are becoming more diverse, we monitor market trends, accumulate extensive sales know-how, and build an effective sales framework through this sales and service channel.

\*The Management Organization for Postal Savings and Postal Life Insurance manages life insurance taken out prior to the privatization of Japan Post. Japan Post Insurance has been entrusted with administrative affairs by this organization but has outsourced some of those operations to Japan Post Network, allowing premiums to be paid and benefits collected through post office external sales personnel and counter services.

## 2. Enhancing Products and Services

### ■ Simplifying policy information and policy agreement pamphlets

In April 2010, we launched an effort to simplify policy information and policy agreement pamphlets by soliciting views from individuals outside the company in order to make policies easier to understand for customers.

For policy information pamphlets, we introduced a new design conceived to improve ease of use by adding a "Notes" column with links to corresponding sections of policy agreement pamphlets and related pages in the policy information and to increase the readability and accessibility of the information presented by adding an introductory page and incorporating charts and illustrations into the text.

For policy agreement pamphlets, we changed the layout to place provisions related to sections that are frequently referenced by policyholders such as "Payment of Benefits" at the beginning, made the text easier to see and understand by utilizing charts and bullet lists, and simplified legal expressions and other language that customers likely do not encounter on an everyday basis.

### ■ Introduction of a new policy processing system

To make the experience of applying for insurance more convenient for our customers, we have put in place a new policy processing that allows us to develop easy-to-understand case designs [policy summaries], simplify the process of filling out an application and accelerate the signing of the policy.

This new system serves to reform both the sales and business processes by facilitating sales activities, such as solicitation of insurance, underwriting business at post offices and screening operations at our Service Centers.

The system was first introduced in Tokyo and in the south Kanto and Shinetsu areas in October 2010 and has been phased-in in other parts of the country since the end of May 2011.

### ■ "Comprehensive and Heartfelt Services"

As part of our efforts to promote "Comprehensive and Heartfelt Services," we launched a program in October 2010 at post offices across the country to conduct home visits primarily to policyholders who will soon be receiving maturity benefits or other proceeds to be paid during their lifetime. Through these home visits, we encourage them to start the process of collecting proceeds early, check to make sure they have not failed to make any insurance claims, encourage them to apply for cashless transactions and advise them to add to their insurance an option that allows a designated third party to request insurance benefits\*. We are working to bring higher satisfaction and confidence to our customers through these efforts.

\*A designated third party (family members, etc.) can submit requests for insurance benefits on behalf of the beneficiary (insured person) when he or she is unable to do due to special circumstances.



### ■ Initiatives concerning checks of benefits and other payments

Japan Post Insurance recognizes the management of benefit and other payments as a high-priority issue. After checking benefit and other payments made while operating as Japan Post (April 2003 to September 2007), we have been providing information to policyholders and recommending that they file claims where appropriate.

## 3. Asset Management

Japan Post Insurance seeks to match asset and liability cash flows by building a portfolio of long-term yen-denominated interest-bearing assets based on the characteristics of our liabilities in order to maintain sound management and ensure the payment of benefits. Going forward, we will work to take advantage of other yen-denominated assets such as Japanese local government bonds and Japanese corporate bonds that can be expected to generate higher interest than Japanese government bonds from the standpoint of improving profits. At the same time, we will strive to strengthen our risk management system, particularly our management of risk arising from the Great East Japan Earthquake.

## 4. Contributing to Local Communities

With the objective of contributing to the health of everyone in society, Japan Post Insurance works with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation to promote radio exercise and *Minna no Taiso* ("Exercise for Everyone").

This effort takes the form of the Radio Exercise and *Minna no Taiso* Summer Tour and Special Tour as well as the Festival of 10 Million People's Radio Exercise and *Minna no Taiso*, which are held each year from April to October at venues nationwide through the joint sponsorship of NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation.

### ■ Held the 49th Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

We held the 49th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") at 6:00 a.m. on August 1, 2010 at Oita Bank Dome Stadium in Oita City.

Despite the early morning timing, about 11,000 people participated, including radio exercise fans from around Japan as well as local elementary school students and their parents. By promoting radio exercises, Japan Post Insurance will continue to support people's health, which is essential for leading a rich and fulfilling life.



At the 49th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (on August 1, 2010, Oita City)

## TOPICS

### Held Japan Post Insurance "Flowers" promotional campaign

From May 10 to June 30, 2010, we held a "Flowers" promotional campaign as part of a tie-up with the movie *Flowers* at post offices\* nationwide. The campaign, which was conceived to encourage customers to come to Japan Post Insurance for advice about insurance, featured the copy, "Japan Post Insurance is ready to help you create your own brilliant story."

### Held a "New Year Dream Kanpo" Campaign

From January 11 through to March 11, 2011, post offices\* and branches of Japan Post Insurance throughout the country hosted a "New Year Dream *Kanpo* Campaign" to thank our customers. It also served to provide an opportunity for a broad range of customers to know about and purchase our products and services.

During the campaign, customers who asked for a case design [policy summary] for our insurance products (excluding annuities) were encouraged to participate in a drawing. A variety of prizes, including paired tickets for an exclusive performance by the Takarazuka Revue Company and popular gourmet foods, were given to a total of 19,400 winners.

Japan Post Insurance will continue to offer a range of insurance products optimally matched to a particular life stage of each customer, providing adequate coverage and lifelong confidence.

\*The campaign was limited to post offices offering insurance services, including contracted post offices.





## 2. Products and Services

(As of April 1, 2011)

### 1. Types of insurance

Aim of contract	Type of insurance	Subscription age									
		0	10	20	30	40	50	60	70	80	
For those considering lifetime security	Fixed whole life insurance				20 to 65						
For those considering the balance of lifetime security	Whole life insurance with twofold insurance coverage				20 to 60						
	Whole life insurance with fivefold insurance coverage				20 to 55						
For those who want to add <i>Tanoshimi</i> (enjoyment) to lifetime security	Special whole life insurance				20 to 65						
For those who wish to increase security with a minimum burden	Ordinary term insurance			15 to 50							
For those considering both security and maturity	Ordinary endowment insurance	0 to 75									
For those considering both enhanced security and maturity	Special endowment insurance with twofold insurance coverage			15 to 65							
	Special endowment insurance with fivefold insurance coverage			15 to 60							
	Special endowment insurance with tenfold insurance coverage			15 to 55							
For those struggling with illness	Designated endowment insurance					40 to 65					
For those considering making preparations for education funds	Educational endowment insurance	0 to 12									
				18 to 55 (male)							
				16 to 55 (female)							
For those who want to add further security in preparations for education funds	Educational endowment insurance with scholarship annuity	0 to 12									
				18 to 55 (male)							
				16 to 55 (female)							
For those considering a comfortable retirement	Term annuity					45 to 70					
For those who wish to accumulate assets as wage earners	Asset-formation savings insurance			15 to 65							
	Asset-formation housing funding insurance			15 to 54							
	Asset-formation whole life annuity					36 to 54					

\*Subscription age for educational endowment insurance and educational endowment insurance with scholarship annuity is shown in pink for insured person and in light blue for policyholders.

## 2. Principal Riders and Provisions

(As of April 1, 2011)

Name of rider/provision	Outline of rider/provision
Accident rider	Rider concerning provision for death or physical disability caused by an unforeseen accident
Nonparticipating accident hospitalization rider	Rider concerning provision for predefined hospitalization, surgery or long-term hospitalization caused by an unforeseen accident
Nonparticipating illness hospitalization and accident hospitalization rider	Rider concerning provision for predefined hospitalization, surgery or long-term hospitalization caused by illness or an unforeseen accident
Option that allows a designated third party to request insurance benefits	A designated third party (family etc.) can submit requests for insurance benefits on behalf of the beneficiary (insured person) when he or she is unable to do so due to special circumstances.

\*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

### ●Nonparticipating accident hospitalization rider and nonparticipating illness hospitalization and accident hospitalization rider



We started offering the Japan Post Insurance *Sono hi kara* Hospitalization Rider, which pays benefits beginning with the first day in the hospital. Furthermore, we significantly extended the scope of surgery covered by our rider to match the government

health insurance system. Sales of this product started in July 2008 in line with our policy of providing insurance coverage that is simple and easy to understand.

### ■Coverage of Japan Post Insurance *Sono hi kara* Hospitalization Rider

Benefits (for nonparticipating illness hospitalization and accident hospitalization rider) ¥15,000 daily payment in hospital stay (Rider standard insurance amount: ¥10 million)

Hospitalization for illness or injury (hospitalization benefit)  
Benefits starting with the first day of hospitalization  
(even for a single-day stay in the hospital [Note 1])

¥15,000 × days of hospitalization  
(Daily payment of hospitalization benefits) (120 days limit)

Surgery for illness or injury (surgery benefits)  
Payments for surgery requiring hospitalization (Note 2)

Depending on the type of surgery: ¥15,000 × 5, 10, 20, or 40 times  
(Daily payment of hospitalization benefits)

Long-term hospitalization for illness or injury  
(long-term hospitalization, one-time payment)  
Payment made when hospital stay reaches 120 consecutive days

¥300,000 (3% of rider standard insurance amount)

Notes: 1. A single-day stay in the hospital is defined as when the hospital admittance and discharge days are the same. Decisions regarding hospitalization will be based on whether or not the hospitalization basic fee was paid and on other factors.  
2. Surgery covered by the rider has been expanded to cover surgery eligible under the specified government health insurance system, such as tonsil removal that requires hospitalization.

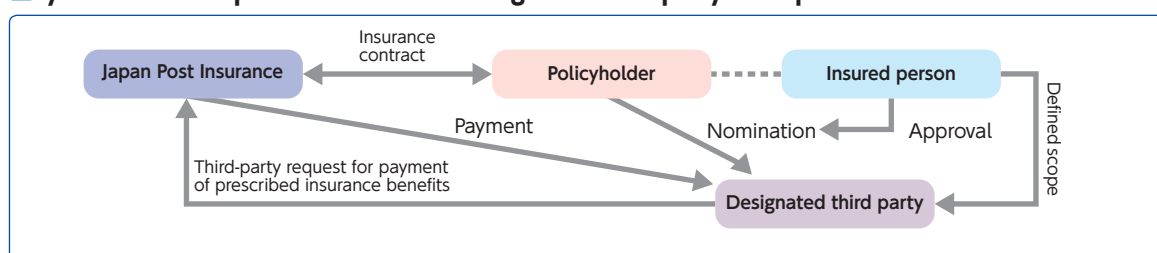
\*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

### ●System with an option that allows a designated third party to request insurance benefits

With this system, policyholders designate in advance a third party who can act as an agent for requesting the payment of insurance benefits. This may be useful when an insured person who is also the

beneficiary is unable to submit the request due to a serious illness or injury.

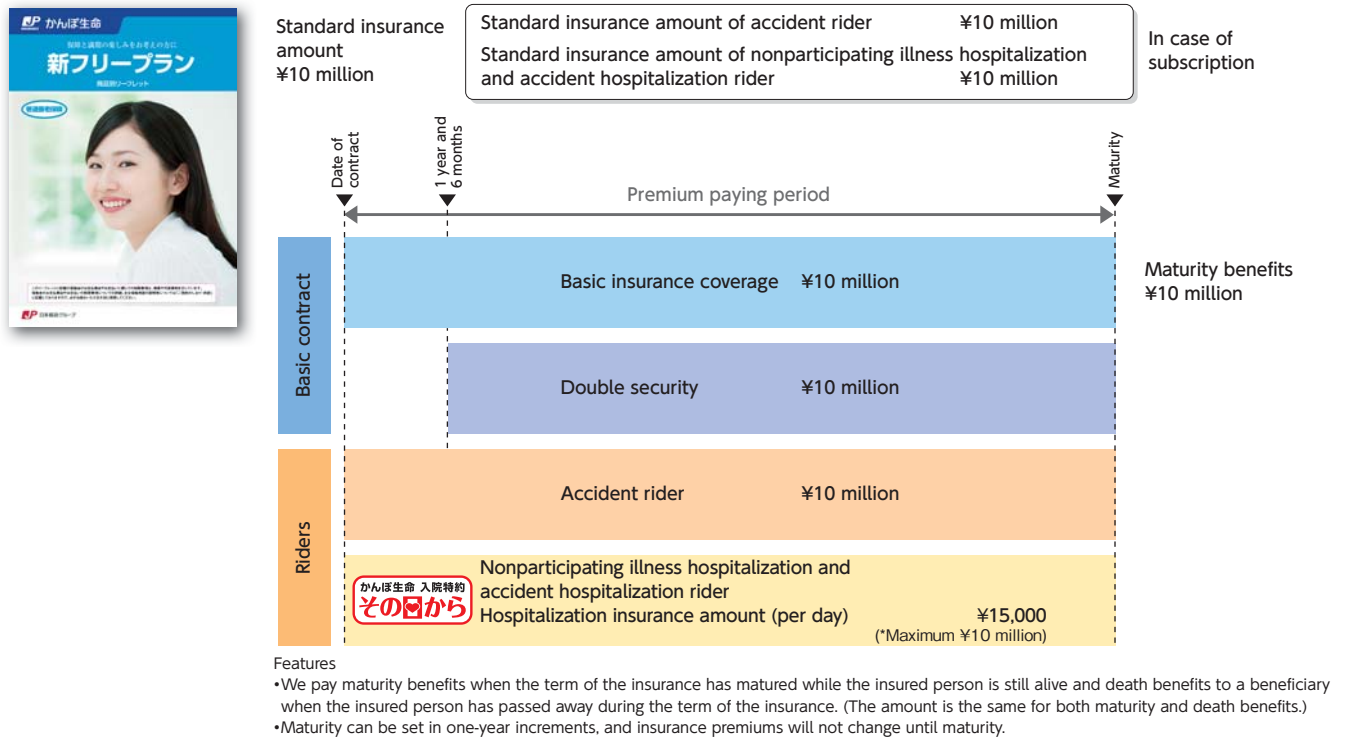
### ■System with an option that allows a designated third party to request insurance benefits



## Insurance schemes

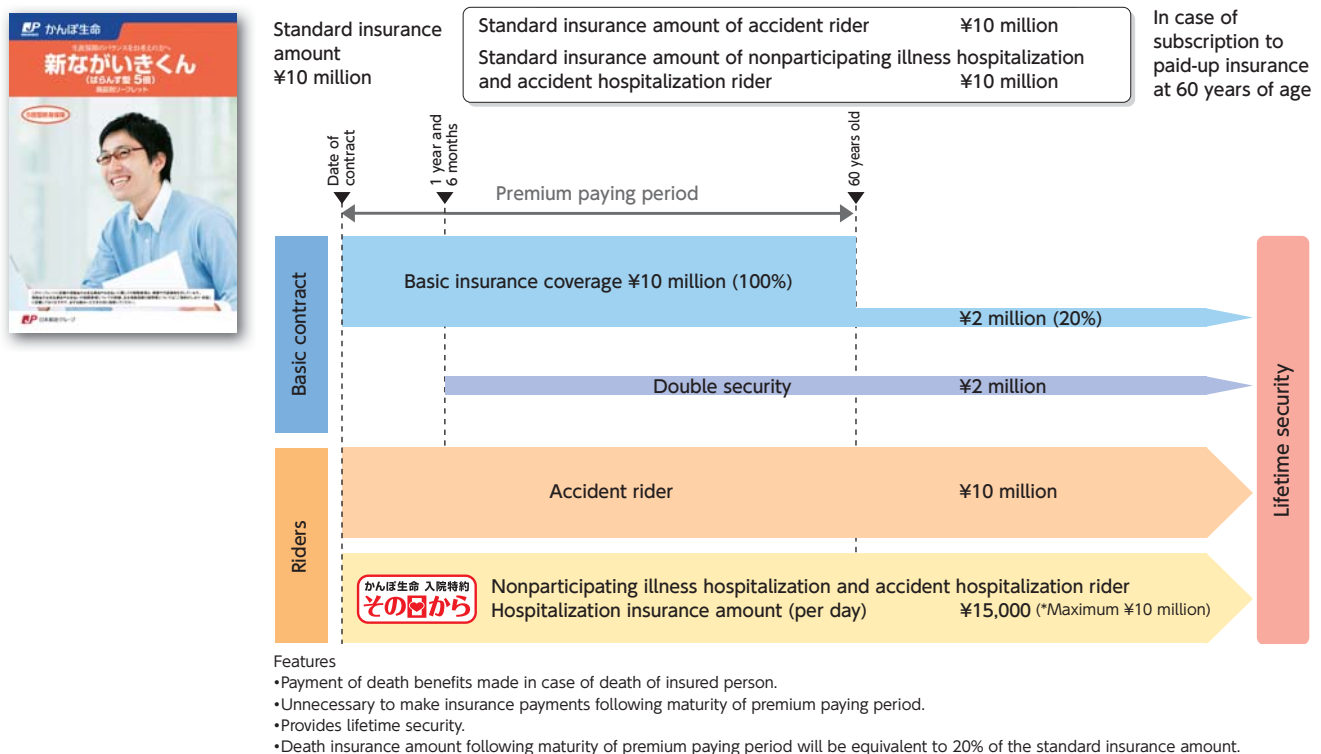
### ●Outline of endowment insurance schemes

#### Ordinary endowment insurance



### ●Outline of whole life insurance schemes

#### Whole life insurance with fivefold insurance coverage



## 3. Japan Post Insurance Business Performance

### 1 Sound Management Indicators

#### 1. Core Profit

Core profit is a basic periodical earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premium income, insurance claims and others, and operating expenses as well as investment-related income and expenses, which consist primarily of interest and dividends income.

Core profit is not listed on the Statements of Income, and is obtained by deducting capital gains and losses, such as gains and losses on sales of securities and other one-time gains and losses from net ordinary income.

Core profit includes the negative spread, and securing sufficient core profit ensures that income will exceed the negative spread in the main insurance business.

Japan Post Insurance's core profit for fiscal 2011 was ¥484.4 billion. The Company covered a negative spread amounting to ¥139.3 billion with the mortality and morbidity rate margin, which represents gains from a decline in the mortality rate and hospitalization rate, etc., and administrative expense margin, which are gains resulting from business efficiency improvements. In other words, core profit, which reflects the Company's three main profit sources, was positive.

The average assumed interest rate was 1.95%, while the interest rate yield was 1.79%, resulting in a difference of 0.16%. In recent years, this difference has been narrowing due to the maturation of contracts with high average assumed interest rates.

Core profit    ¥484.4 billion

Core Profit Breakdown (Three Major Profit Sources)

(Billions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Core profit	¥ 432.4	¥ 427.1	<b>¥ 484.4</b>
Negative spread	(353.7)	(236.2)	<b>(139.3)</b>
Mortality and morbidity rate margin	354.5	324.7	<b>357.2</b>
Administrative expense margin	431.6	338.6	<b>266.5</b>

(Billions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Core profit A	¥ 432.4	¥ 427.1	<b>¥ 484.4</b>
Capital gains	66.6	48.8	<b>82.6</b>
Gains on money held in trust	—	38.7	<b>15.7</b>
Gains from trading securities	—	—	—
Gains on sales of securities	66.6	10.0	<b>66.9</b>
Gains on derivatives	—	—	—
Foreign exchange gains	—	—	—
Other capital gains	—	—	—
Capital losses	474.7	31.9	<b>48.8</b>
Losses on money held in trust	296.7	—	—
Losses from trading securities	—	—	—
Losses on sales of securities	107.1	26.4	<b>24.9</b>
Losses on valuation of securities	58.7	—	<b>16.9</b>
Losses on derivatives	—	0.2	<b>0.1</b>
Foreign exchange losses	0.2	0.9	<b>2.0</b>
Other capital losses	11.8	4.4	<b>4.6</b>
Net capital gains B	(408.1)	16.8	<b>33.8</b>
Core profit including capital losses A+B	24.2	444.0	<b>518.3</b>
Other one-time gains	190.0	—	<b>64.6</b>
Reinsurance income	—	—	—
Reversal of contingency reserve	190.0	—	<b>64.6</b>
Others	—	—	—
Other one-time losses	—	64.3	<b>160.7</b>
Reinsurance premiums	—	—	—
Provision for contingency reserve	—	64.3	—
Provision for individual allowance for doubtful accounts	—	—	—
Provision for reserve for specific overseas loans	—	—	—
Depreciation of loans	—	—	—
Others	—	—	<b>160.7</b>
Other one-time profits C	190.0	(64.3)	<b>(96.1)</b>
Net ordinary income A+B+C	¥ 214.2	¥ 379.6	<b>¥ 422.2</b>

Notes: 1. Amounts (¥11.8 billion in fiscal 2009, ¥4.4 billion in fiscal 2010 and ¥4.6 billion in fiscal 2011) corresponding to income gains among gains from money held in trust have been recorded in "Other capital losses" and are included in core profit as "other core income."

2. The accumulated amount (¥160.7 billion in fiscal 2011) of additional policy reserves as stipulated under Article 69, Paragraph 5 of the Enforcement Regulation of the Insurance Business Law is listed in "Others" of "Other one-time losses."

## 2. Solvency Margin Ratio

Life insurance companies accumulate policy reserves to provide for anticipated payment of insurance claims and other benefits. They also cover exposure to risks that can be predicted under normal conditions within the scope of these policy reserves.

The solvency margin ratio is an indicator by which regulatory agencies determine whether or not a company has the sufficient financial resources for its obligations to pay benefits in the event a normally unforeseeable risk should materialize, such as a major catastrophe or stock market collapse.

If the ratio is less than 200%, regulatory agencies will take early corrective measures. On the other hand, if the ratio is greater than 200%, it indicates that the insurance company has satisfied one of the standards for sound management.

Japan Post Insurance's solvency margin ratio as of March 31, 2011 was 1,821.6%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

For reference, Japan Post Insurance's solvency margin ratio is 1,153.9% when computed by using the new standards, which are scheduled to go into effect at the end of fiscal 2012.

**Solvency margin ratio**  
**1,821.6%**

(Billions of yen)

	Fiscal 2009 (March 31, 2009)	Fiscal 2010 (March 31, 2010)	Fiscal 2011 (March 31, 2011)
Total amount of solvency margin (A)	¥4,539.5	¥4,749.6	<b>¥4,760.9</b>
Capital stock, etc.	1,056.6	1,109.2	<b>1,167.1</b>
Reserve for price fluctuations	446.5	421.4	<b>409.6</b>
Contingency reserve	2,886.2	2,950.6	<b>2,885.9</b>
General reserves for possible loan losses	0.0	0.0	<b>0.0</b>
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	9.2	60.1	<b>29.8</b>
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	0.3	(14.8)	<b>(25.6)</b>
Excess of continued Zillmerised reserve	80.6	148.2	<b>208.0</b>
Capital raised through debt financing	—	—	<b>—</b>
Deductions	—	—	<b>—</b>
Other	59.8	74.7	<b>85.6</b>
Total amount of risk (B)	635.0	570.8	<b>522.7</b>
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Underwriting risk R <sub>1</sub>	187.9	183.2	<b>180.5</b>
Underwriting risk of third-sector insurance R <sub>8</sub>	179.0	159.6	<b>143.2</b>
Anticipated yield risk R <sub>2</sub>	71.9	65.9	<b>61.3</b>
Investment risk R <sub>3</sub>	424.9	370.8	<b>330.5</b>
Business management risk R <sub>4</sub>	17.2	15.5	<b>14.3</b>
Minimum guarantee risk R <sub>7</sub>	—	—	<b>—</b>
Solvency margin ratio (A) $\frac{(1/2) \times (B)}{(1/2) \times (B)} \times 100$	1,429.7%	1,663.9%	<b>1,821.6%</b>

Note: The above figures are calculated based on Article 86 and Article 87 of the Enforcement Regulations of the Insurance Business Law and the provisions of Ordinance No. 50 issued by the Ministry of Finance in 1996. ("Excess of continued Zillmerised reserve" is calculated based on the provisions of Article 1, Paragraph 3, Item 1 of Ordinance No. 50.)

### ●(A) Total solvency margin (total of amounts on the right)

Capital stock, etc.; reserve for price fluctuations; contingency reserve; general reserves for possible loan losses; net unrealized gains (losses) on available-for-sale securities × 90% (see note); net unrealized gains (losses) on real estate × 85% (see note); excess of continued Zillmerised reserve; capital raised through debt financing; deductions; and other

Note: 100% for negative figures

### ●(B) Total amount of risk

Total risk factors in various risks, such as underwriting risk, anticipated yield risk, investment risk and business management risk, which exceed the normal foreseeable risks

#### Underwriting risk (R<sub>1</sub>)

... Amount equivalent to exposure to the risk of a sudden increase in insurance payments following the occurrence of a major catastrophe or similar event

#### Underwriting risk of third-sector insurance (R<sub>8</sub>)

... Amount equivalent to exposure to the risk of a rapid increase in insurance payments and other payments involving third-sector insurance, which includes hospitalization riders and certain other types of insurance

#### Anticipated yield risk (R<sub>2</sub>)

... Amount equivalent to exposure to the risk of the return on investment falling below the anticipated investment yield due to a downturn in the investment climate

#### Investment risk (R<sub>3</sub>)

... Amount equivalent to exposure to the risk of a sharp drop in the value of assets caused by a major downturn in stock prices, volatility in foreign exchange markets or other events; also, amount equivalent to exposure to the risk of a rapid increase in non-performing loans caused by bankruptcies among obligors and other events

#### Business management risk (R<sub>4</sub>)

... Amount equivalent to exposure to the risk of the occurrence of a larger-than-expected problem involving the management of business operations

#### Minimum guarantee risk (R<sub>7</sub>)

... Amount equivalent to the risk involving minimum guarantees for insurance benefits of variable insurance and variable annuities



### 3. Status of Accumulation of Contingency Reserve and Reserve for Price Fluctuations

Life insurance companies accumulate a contingency reserve and reserve for price fluctuations for the purpose of ensuring the soundness and stability of management in the future. These reserves provide protection against risks associated with changes in the operating climate for the life insurance industry. Such changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe and other events.

As of March 31, 2011, Japan Post Insurance had a contingency reserve of ¥2,885.9 billion and a reserve for price fluctuations of ¥409.6 billion, a total of ¥3,295.6 billion.

(Billions of yen)

	End of Fiscal 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)	End of Fiscal 2011 (March 31, 2011)
Contingency reserve	¥2,886.2	¥2,950.6	<b>¥2,885.9</b>
Limit amount	3,358.8	3,162.3	<b>3,010.8</b>
Reserve for price fluctuations	¥ 446.5	¥ 421.4	<b>¥ 409.6</b>
Limit amount	446.5	421.4	<b>409.6</b>
Total	¥3,332.8	¥3,372.0	<b>¥3,295.6</b>

Contingency reserve and reserve for price fluctuations **¥3,295.6 billion**

### 4. Real Net Assets

Real net assets are calculated by subtracting liabilities, other than the contingency reserve and reserve for price fluctuations and other high capital debt items, from total assets at market value. Regulatory agencies use real net assets as an indication of an insurer's financial soundness at the end of a fiscal period. A negative figure may lead to an order to suspend operations or other regulatory actions. (However, such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy reserve-matching bonds is positive and liquid assets have been set aside).

As of March 31, 2011, Japan Post Insurance had a sufficient level of ¥6,905.6 billion in real net assets.

(Billions of yen)

	End of Fiscal 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)	End of Fiscal 2011 (March 31, 2011)
Real net assets	¥6,203.6	¥6,598.7	<b>¥6,905.6</b>

### 5. Net Unrealized Gains (Losses) on Securities

Net unrealized gains and losses on assets reflect the differential between fair market value and book value.

At the end of fiscal 2011, Japan Post Insurance recorded a net unrealized gain on securities of ¥2,241.0 billion.

We recorded a ¥4.0 billion net unrealized loss on money held in trust and a ¥33.2 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

	End of Fiscal 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)	End of Fiscal 2011 (March 31, 2011)
<b>Net unrealized gains (losses)</b>			
Total	¥1,723.5	¥1,966.4	<b>¥2,241.0</b>
Held-to-maturity securities	998.4	1,003.8	<b>1,205.5</b>
Policy reserve-matching bonds	714.8	895.8	<b>1,002.2</b>
Available-for-sale securities (before tax effects)	(Note 1) 10.2	(Note 2) 66.7	<b>(Note 3) 33.2</b>
Securities, etc.	27.0	55.0	<b>37.2</b>
Money held in trust	(16.8)	11.7	<b>(4.0)</b>

Notes: 1. After applying tax-effect accounting, a gain of ¥6.5 billion  
 2. After applying tax-effect accounting, a gain of ¥42.5 billion  
 3. After applying tax-effect accounting, a gain of ¥21.1 billion

### 6. Risk-monitored Loans

Loans with repayment conditions that are not normal are termed risk-monitored loans. None of Japan Post Insurance's loans fall into this category.

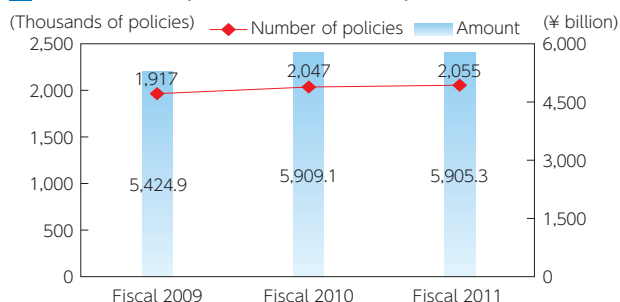
## 2 Insurance Policies

### New Policies and Policies in Force

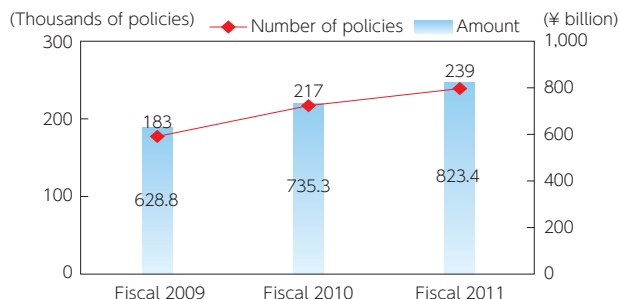
In fiscal 2011, Japan Post Insurance sold 2,055 thousand individual insurance policies with an insured amount of ¥5,905.3 billion, and 239 thousand individual annuity policies with an annuity amount of ¥823.4 billion.

As of March 31, 2011, there were 6,180 thousand individual insurance policies, and policies in force totaled ¥17,642.2 billion. There were 687 thousand individual annuity policies with an annuity amount of ¥2,223.6 billion.

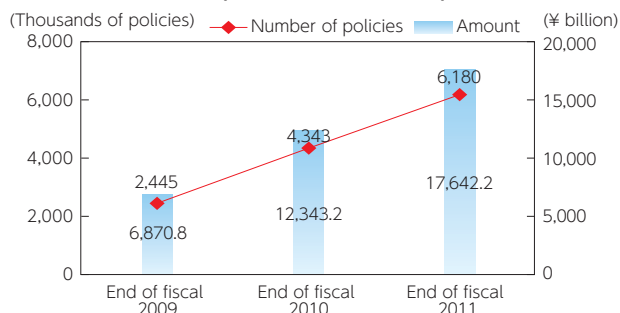
#### New Policies (Individual Insurance)



#### New Policies (Individual Annuities)

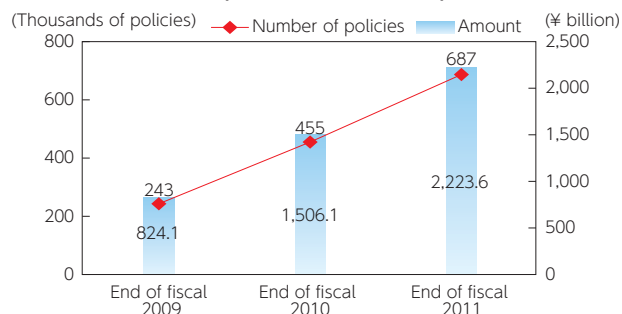


#### Policies in Force (Individual Insurance)

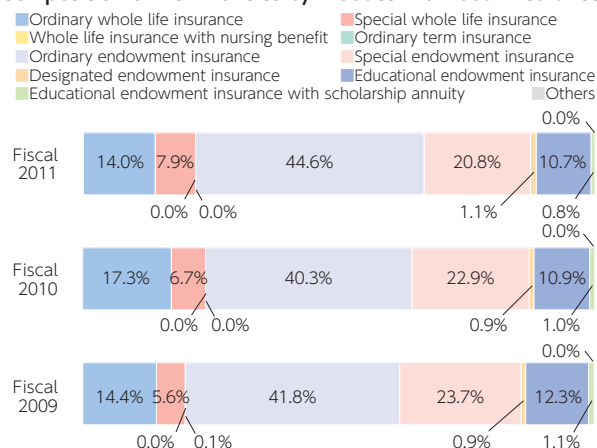


Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 35,496 thousand life insurance policies with an insured amount of ¥98,910.0 billion and 4,886 thousand annuity policies with an annuity amount of ¥1,809.4 billion.

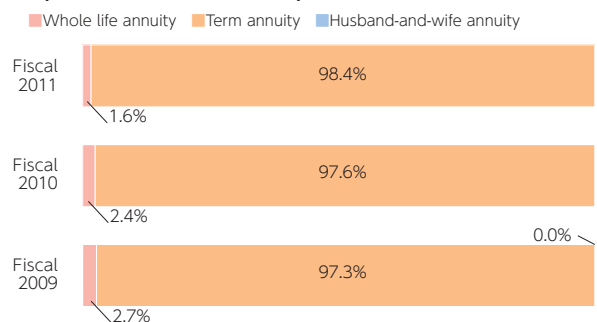
#### Policies in Force (Individual Annuities)



#### Composition of New Policies by Product: Individual Insurance



#### Composition of New Policies by Product: Individual Annuities



Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

	End of Fiscal 2009 (March 31, 2009)		End of Fiscal 2010 (March 31, 2010)		End of Fiscal 2011 (March 31, 2011)	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Life insurance	46,026	127,523.3	40,308	112,069.4	35,496	98,910.0
Annuity	5,806	2,136.6	5,361	1,980.4	4,886	1,809.4

Note: These figures are based on standards published by the Management Organization for Postal Savings and Postal Life Insurance.

## 3 Performance Overview

### 1. Assets

At March 31, 2011, total assets of Japan Post Insurance amounted to ¥96.7 trillion, a decrease of ¥4.1 trillion from fiscal 2010 (¥100.9 trillion).

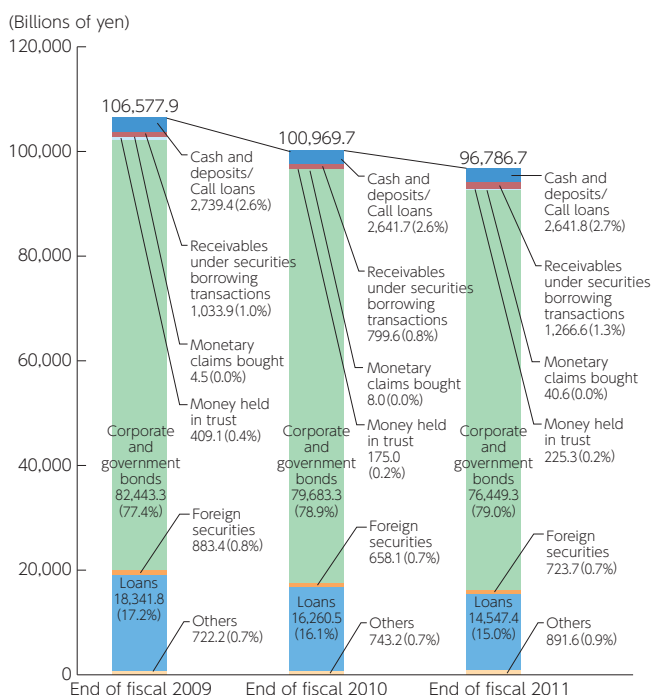
Our investment policy in fiscal 2011 was to continue investing primarily in yen-denominated interest-bearing assets that provide stable interest income.

During the fiscal year under review, we made investments in corporate and government bond holdings, primarily of long-term and super-long-term bonds, in view of their value as assets that secure stable income.

Our management of investments of money held in trust centers on domestic equities and real estate.

Loans receivables include syndicated loans, loans to local governments and policy loans. The loans receivables balance decreased due to the repayment of loans made to the Management Organization for Postal Savings and Postal Life Insurance.

#### ■ Composition of Assets



### 2. Asset Management Yield

Despite the continued trends toward lower interest rates, a strong yen and weak stock markets, careful investment primarily in yen-denominated interest-bearing assets gave Japan Post Insurance an asset management yield of 1.64%.

#### ■ Asset Management Yield

Item	Fiscal 2009 (April 1, 2008 to March 31, 2009)	Fiscal 2010 (April 1, 2009 to March 31, 2010)	Fiscal 2011 (April 1, 2010 to March 31, 2011)
Yield	1.15%	1.58%	<b>1.64%</b>

Note: Asset management yield includes capital gains and losses, etc.

### 3. Holdings of Securitized Financial Instruments and Investments Related to Subprime Loans

#### ■ Holdings of Securitized Financial Instruments

(Billions of yen)

Item	End of Fiscal 2009 (March 31, 2009)		End of Fiscal 2010 (March 31, 2010)		End of Fiscal 2011 (March 31, 2011)	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	250.4	(1.6)	311.9	6.4	<b>370.0</b>	<b>7.6</b>

Note: Residential Mortgage-backed Securities (RMBS) are a type of security backed by mortgages. The RMBS held by Japan Post Insurance are backed by housing loans in Japan.

#### ■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

# 5. Other Businesses

## 1. Hospital Business

Japan Post Holdings has established 14 Teishin Hospitals around Japan that serve as corporate hospitals for the Japan Post Group. Teishin Hospitals are open for the use of any member of the public, as well as Group employees and their families, and they provide medical services and medical check-up services, which contribute to the health of everyone in the community. For details, please refer to page 105.

Notably, Tokyo Teishin Hospital has 514 sickbeds, advanced medical care and medical equipment, and cutting-edge medical research. The hospital reopened its medical check-up center in September 2010 following renewal.

### List of 14 Teishin Hospitals nationwide



**Sapporo Teishin Hospital**  
Departments  
Internal medicine, surgery, ophthalmology, otolaryngology, orthopedics



**Kyoto Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, pediatrics, ophthalmology, otolaryngology, orthopedics, radiology, anesthesiology



**Sendai Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, surgery, obstetrics and gynecology, ophthalmology, dermatology, otolaryngology, orthopedics, proctology



**Osaka Kita Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, surgery, pediatrics, ophthalmology, otolaryngology, radiology, anesthesiology, proctology



**Yokohama Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, pediatrics, ophthalmology, orthopedics, anesthesiology



**Kobe Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, pediatrics, ophthalmology, otolaryngology, orthopedics, radiology, anesthesiology



**Tokyo Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, cardiology, respiratory, psychiatry, surgery, cardiovascular, neurosurgery, gynecology, pediatrics, ophthalmology, dermatology, urology, otolaryngology, orthopedics, radiology, dental/oral surgery, rehabilitation, anesthesiology, emergency and general medicine, endoscopy center, medical check-up center, pathology, clinical laboratory



**Hiroshima Teishin Hospital**  
Departments  
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics



**Niigata Teishin Hospital**  
Departments  
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics



**Tokushima Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, ophthalmology, orthopedics



**Toyama Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, ophthalmology, orthopedics



**Fukuoka Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, cardiology, surgery, gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics, radiology, anesthesiology



**Nagoya Teishin Hospital**  
Departments  
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, dermatology specialist outpatients, otolaryngology, orthopedics, medical check-up center



**Kagoshima Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, surgery, gynecology, ophthalmology, orthopedics, proctology

## 2. Hotel Business

### 1. Kanpo no Yado inns and Kanpo no Sato inns

There are 65 *Kanpo no Yado* inns nationwide (including three that are temporarily closed). These facilities are near tourist spots. *Kanpo no Yado* inns are available for the use of all persons, in the same way as regular *ryokan* and hotels, regardless of whether guests possess insurance policies of Japan Post Insurance.

In addition, there are four *Kanpo no Sato* inns in Japan, where people can enjoy sports and other leisure activities in a natural setting.

For details, please refer to pages 106-107.

### 2. Rafre Saitama and other facilities

Rafre Saitama is a lodging facility located near Saitama Shintoshin station that has a conference room, banquet hall and fitness center.

U-Port Recreation Center in Setagaya Ward, Tokyo, includes tennis courts, a heated indoor swimming pool, a gym, a fitness center and other sports facilities.

For details, please refer to page 107.

Notes: 1. With regard to MIELPARQUE hotels, in October 2008 Japan Post Holdings concluded a fixed-term lease agreement with Watabe Wedding Corp., whose subsidiary currently runs the facilities.  
2. With regard to U-Port, in December 2008 Japan Post Holdings concluded a fixed-term lease agreement with Seiyō Food-Compass Group, Inc. and Central Sports Co., Ltd., which currently run the facility.

### List of Accommodation Facilities Nationwide

- |                              |                          |                    |  |
|------------------------------|--------------------------|--------------------|--|
| 1 Otaru                      | 19 Hakone                | 36 Kumano          | 54 Tokushima   |
| 2 Tokachigawa                | 20 Isawa                 | 37 Hikone          | 55 Dogo  |
| 3 Ichinoseki                 | 21 Kashiwazaki*1         | 38 Maizuru*1       | 56 Ino   |
| 4 Yokote                     | 22 Suwa                  | 39 Tondabayashi    | 57 Kitakyushu  |
| 5 Matsushima*2               | 23 Atami (Main Building) | 40 Yamatoheguri    | 58 Yanagawa  |
| 6 Koriyama                   | Atami (Annex)            | 41 Nara            | 59 Shimabara*1   |
| 7 Iwaki                      | 24 Shuzenji              | 42 Shirahama       | 60 Beppu   |
| 8 Oarai                      | 25 Izukogen              | 43 Kii-Tanabe      | 61 Hita  |
| 9 Itako                      | 26 Toyama                | 44 Arima           | 62 Yamaga  |
| 10 Shiobara                  | 27 Yamashiro             | 45 Ako             | 63 Aso   |
| 11 Tochigi Kitsuregawa Onsen | 28 Fukui                 | 46 Awajishima      | 64 Nichinan  |
| 12 Kusatsu                   | 29 Yaizu                 | 47 Kaike           | 65 Recreation Center in Naha   |
| 13 Isobe                     | 30 Hamanako-Mikkabi      | 48 Mimasaka Yunogo | 66 Sakata  |
| 14 Yorii                     | 31 Sangane               | 49 Takehara        | 67 Hakusan-Oguchi  |
| 15 Kamogawa                  | 32 Chita-Mihama          | 50 Hikari          | 68 Shobara   |
| 16 Asahi*2                   | 33 Ena                   | 51 Yuda            | 69 Usa   |
| 17 Katsuura                  | 34 Gifu-Hashima          | 52 Kanonji         | 70 Rafre Saitama   |
| 18 Ome                       | 35 Toba                  | 53 Sakaide         | 71 U-Port Recreation Center in Setagaya<br>(No accommodation facilities) |

\*1 Temporarily closed (as of July 1, 2011)

\*2 Suspending operations (as of July 1, 2011)

#### On our recommendation list:

#### 13 Kanpo no Yado inn Isobe



By the bank of the River Usui, the facility stands in a tranquil, lush green atmosphere surrounded by bamboo groves. An open-air bath, the pride of the facility, offers a panoramic view of the starry sky above with the sound of the clear stream running nearby.

#### 23 Kanpo no Yado inn Atami (Main Building)



This facility offers a panoramic view over the Atami nightscape. From April 2010, a number of Japanese-style rooms have been converted to Japanese/Western combination-style rooms.

#### 30 Kanpo no Yado inn Hamanako-Mikkabi



All rooms feature a glorious view of Lake Hamana, which changes in appearance from moment to moment. Combining luxury and comfort, the facility also offers special Japanese / Western combination-style rooms with individual open-air baths.

#### 63 Kanpo no Yado inn Aso



Views of the five peaks of Mt. Aso can be enjoyed from all guest rooms in this panoramic location.

#### 45 Kanpo no Yado inn Ako



This facility is in an exceptional location in Ako-misaki in the Setonaikai National Park. All rooms have ocean views.