Data Compilation

Financial Data

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1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Consolidated ordinary income	10,097,968	19,961,705	18,773,630	17,468,947
Consolidated net ordinary income	438,739	830,565	1,007,260	956,917
Consolidated net income	277,290	422,793	450,220	418,929
Consolidated comprehensive income	—	—	—	410,132
Consolidated net assets	8,311,433	8,746,172	9,625,962	9,999,952
Consolidated total assets	327,588,290	305,894,430	298,571,321	292,933,013
Consolidated capital adequacy ratio (domestic standard)	60.91%	67.62%	69.77%	61.30%

Note: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006).

Japan Post Holdings Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Operating income	132,904	303,099	317,087	305,878
Net operating income	34,369	107,173	144,339	140,752
Net ordinary income	37,824	109,919	147,179	143,466
Net income	42,598	109,026	145,389	153,622
Net assets	8,046,551	8,147,114	8,265,323	8,382,804
Total assets	9,705,592	9,525,259	9,625,504	9,648,973

Japan Post Network Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Operating income	615,880	1,293,229	1,263,975	1,256,349
Net operating income	7,517	68,375	52,173	49,548
Net ordinary income	18,535	83,880	62,439	58,260
Net income	4,678	40,843	32,981	30,661
Net assets	204,678	244,352	267,122	289,538
Total assets	3,286,487	3,256,547	3,252,318	3,249,823

Japan Post Service Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Operating income	1,053,676	1,865,282	1,813,048	1,779,870
Net operating income	103,773	44,888	42,779	(103,473)
Net ordinary income	113,763	58,974	56,997	(89,093)
Net income	69,487	29,812	(47,493)	(35,435)
Net assets	269,487	281,928	226,981	191,546
Total assets	2,149,599	2,050,151	1,963,440	1,863,433

Japan Post Bank Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Ordinary income (Revenues)	1,328,904	2,488,552	2,207,942	2,205,344
Net ordinary income	256,171	385,243	494,252	526,550
Net income	152,180	229,363	296,758	316,329
Net assets	8,076,855	8,179,574	8,839,547	9,093,634
Total assets	212,149,182	196,480,796	194,678,352	193,443,350
Capital adequacy ratio (domestic standard)	85.90%	92.09%	91.62%	74.82%

Note: The capital adequacy ratio (domestic standard) is calculated in line with the provisions of Article 14-2 of the Banking Act and on the basis of calculation formulae prescribed under the criteria for judging whether a bank's capital adequacy ratio is appropriate in light of assets held (Financial Services Agency Notice No 19 of 2006).

Japan Post Insurance Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Ordinary income	7,686,842	15,533,727	14,591,640	13,375,468
Net ordinary income	11,991	214,285	379,623	422,207
Net income	7,686	38,316	70,126	77,276
Net assets	904,250	1,072,756	1,169,366	1,207,690
Total assets	112,524,670	106,577,963	100,969,782	96,786,765
Solvency margin ratio	1,116.3%	1,429.7%	1,663.9%	1,821.6%

Note: In the event the margin was calculated based on computation standards applicable from March 31, 2012, the solvency margin ratio at the end of the current fiscal year would be 1,153.9%.

About the Figures for Fiscal 2008
The Japan Post Group launched its operations as a joint-stock corporation following its privatization on October 1, 2007. Since Japan Post Holdings Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. were established earlier to prepare for the privatization, their fiscal years began on April 1, 2007. Therefore, the accounts for these companies include figures for the preparation planning companies. The accounts for Japan Post Network Co., Ltd. and Japan Post Service Co., Ltd. cover the period from October 1, 2007, through March 31, 2008.

2. Japan Post Group Companies —Consolidated Financial Data

The consolidated balance sheets as of March 31, 2011 and 2010 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Group Companies were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Company Act of Japan. KPMG AZSA LLC changed its corporate name from KPMG AZSA & Co. effective July 1, 2010 because of a change in its audit corporation classification.
(The following are translations into English of the audited financial statements in Japanese.)

1 Consolidated Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets		
Cash and due from banks	¥ 8,012,842	¥ 8,337,805
Call loans	615,538	1,025,352
Receivables under securities borrowing transactions	3,295,301	5,750,045
Monetary claims bought	132,141	173,912
Trading account securities	196	282
Money held in trust	1,190,393	2,032,133
Securities	258,834,902	252,377,011
Loans	20,283,133	18,786,271
Foreign exchanges	5,860	4,735
Deposits to the Fiscal Loan Fund	2,000,000	—
Other assets	965,960	999,885
Tangible fixed assets	2,812,014	2,765,694
Buildings	1,132,531	1,072,587
Land	1,464,149	1,453,785
Construction in progress	13,491	54,643
Other tangible fixed assets	201,842	184,677
Intangible fixed assets	219,478	237,005
Software	201,993	220,337
Goodwill	17	13
Other intangible fixed assets	17,467	16,654
Deferred tax assets	193,631	310,830
Customers' liabilities for acceptances and guarantees	—	110,000
Allowance for doubtful accounts	(5,580)	(8,553)
Contribution to society and community funds assets	15,504	30,598
Total Assets	**¥ 298,571,321**	**¥ 292,933,013**

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Liabilities		
Deposits	¥ 174,787,787	¥ 173,589,158
Policy reserves	97,226,858	92,817,891
Reserve for outstanding claims	1,131,793	1,020,922
Policy reserve	93,417,099	89,164,763
Reserve for policyholders' dividends	2,677,965	2,632,205
Payables under securities lending transactions	7,265,185	9,561,472
Borrowed money	2,001,240	879
Foreign exchanges	116	178
Other liabilities	3,368,642	2,672,494
Reserve for employees' bonuses	124,092	89,362
Reserve for employees' retirement benefits	3,581,310	3,490,999
Reserve for directors' retirement benefits	581	598
Reserve under the special laws	421,408	409,674
Reserve for price fluctuations in security investments	421,408	409,674
Deferred tax liabilities	167,638	190,351
Acceptances and guarantees	—	110,000
Negative goodwill	497	—
Total Liabilities	**¥ 288,945,358**	**¥ 282,933,060**
Net Assets		
Capital stock	¥ 3,500,000	¥ 3,500,000
Capital surplus	4,503,856	4,503,856
Retained earnings	1,159,491	1,526,711
Total shareholders' equity	9,163,347	9,530,568
Contribution to society and community funds	29,701	45,063
Valuation and translation adjustments of contribution to society and community funds	132	337
Net unrealized gains (losses) on available-for-sale securities	423,606	412,489
Deferred gains (losses) on derivatives under hedge accounting	8,069	10,269
Total accumulated other comprehensive income	431,676	422,759
Minority interests	1,104	1,224
Total Net Assets	**¥ 9,625,962**	**¥ 9,999,952**
Total Liabilities and Net Assets	**¥ 298,571,321**	**¥ 292,933,013**

2 Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

1. Consolidated Statements of Income

(Millions of yen)

Item	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Ordinary income	**¥18,773,630**	**¥ 17,468,947**
Postal service income	1,884,158	1,774,674
Banking service income	2,205,529	2,202,819
Insurance service income	14,590,746	13,374,597
Other ordinary income	93,195	116,855
Ordinary expenses	**17,766,488**	**16,512,357**
Operating expenses	15,140,010	13,921,672
Personnel expenses	2,372,269	2,362,753
Depreciation	219,298	204,734
Other ordinary expenses	34,909	23,197
Contribution to society and community funds investment income (expenses)	**117**	**327**
Contribution to society and community funds investment income	118	328
Contribution to society and community funds investment expenses	0	0
Net ordinary income	**1,007,260**	**956,917**
Extraordinary gains	**28,445**	**13,964**
Gains on sales of fixed assets	168	188
Gains on collection of written-off claims	53	32
Reversal of reserve under the special laws	25,173	11,734
Reversal of reserve for price fluctuations in security investments	25,173	11,734
Other extraordinary gains	3,051	2,009
Extraordinary losses	**13,212**	**24,160**
Losses on sales and disposal of fixed assets	4,625	8,044
Impairment losses	6,343	4,871
Loss on natural disaster	—	5,642
Other extraordinary losses	2,242	5,602
Provision for reserve for policyholders' dividends	**294,394**	**311,922**
Net income before income taxes and minority interests	**728,098**	**634,798**
Income taxes current	325,310	307,087
Income taxes deferred	(35,825)	(91,339)
Total income taxes	**289,484**	**215,748**
Income before minority interests		**419,049**
Minority interests (losses)	**(11,607)**	**120**
Net income	**¥ 450,220**	**¥ 418,929**

2. Consolidated Statements of Comprehensive Income

(Millions of yen)

Item	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Income before minority interests	—	**419,049**
Other comprehensive income	—	**(8,917)**
Net unrealized gains (losses) on available-for-sale securities	—	(11,116)
Deferred gains (losses) on derivatives under hedge accounting	—	2,199
Total comprehensive income (loss) attributable to:	—	**410,132**
Owners of the parent	—	410,011
Minority interests	—	120

3 Consolidated Statements of Changes in Net Assets

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥ 3,500,000	¥ 3,500,000
Balance at the end of the current fiscal year	¥ 3,500,000	¥ 3,500,000
Capital surplus		
Balance at the end of the previous fiscal year	¥ 4,503,856	¥ 4,503,856
Balance at the end of the current fiscal year	¥ 4,503,856	¥ 4,503,856
Retained earnings		
Balance at the end of the previous fiscal year	¥ 751,066	¥ 1,159,491
Changes during the period		
Cash dividends	(27,256)	(36,346)
Net income for the period	450,220	418,929
Contribution to society and community funds	(14,538)	(15,362)
Total changes during the period	408,425	367,220
Balance at the end of the current fiscal year	¥ 1,159,491	¥ 1,526,711
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥ 8,754,922	¥ 9,163,347
Changes during the period		
Cash dividends	(27,256)	(36,346)
Net income for the period	450,220	418,929
Contribution to society and community funds	(14,538)	(15,362)
Total changes during the period	408,425	367,220
Balance at the end of the current fiscal year	¥ 9,163,347	¥ 9,530,568
Contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ 15,162	¥ 29,701
Changes during the period		
Net changes other than shareholders' equity	14,538	15,362
Total changes during the period	14,538	15,362
Balance at the end of the current fiscal year	¥ 29,701	¥ 45,063
Valuation and translation adjustments of contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ 56	¥ 132
Changes during the period		
Net changes other than shareholders' equity	76	204
Total changes during the period	76	204
Balance at the end of the current fiscal year	¥ 132	¥ 337

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities		
Balance at the end of the previous fiscal year	¥ (11,954)	¥ 423,606
Changes during the period		
Net changes other than shareholders' equity	435,560	(11,116)
Total changes during the period	435,560	(11,116)
Balance at the end of the current fiscal year	¥ 423,606	¥ 412,489
Deferred gains (losses) on derivatives under hedge accounting		
Balance at the end of the previous fiscal year	¥ (12,974)	¥ 8,069
Changes during the period		
Net changes other than shareholders' equity	21,044	2,199
Total changes during the period	21,044	2,199
Balance at the end of the current fiscal year	¥ 8,069	¥ 10,269
Total accumulated other comprehensive income		
Balance at the end of the previous fiscal year	¥ (24,928)	¥ 431,676
Changes during the period		
Net changes other than shareholders' equity	456,605	(8,917)
Total changes during the period	456,605	(8,917)
Balance at the end of the current fiscal year	¥ 431,676	¥ 422,759
Minority interests		
Balance at the end of the previous fiscal year	¥ 959	¥ 1,104
Changes during the period		
Net changes other than shareholders' equity	144	119
Total changes during the period	144	119
Balance at the end of the current fiscal year	¥ 1,104	¥ 1,224
Total net assets		
Balance at the end of the previous fiscal year	¥ 8,746,172	¥ 9,625,962
Changes during the period		
Cash dividends	(27,256)	(36,346)
Net income for the period	450,220	418,929
Contribution to society and community funds	(14,538)	(15,362)
Net changes other than shareholders' equity	471,365	6,769
Total changes during the period	879,790	373,989
Balance at the end of the current fiscal year	¥ 9,625,962	¥ 9,999,952

4 Consolidated Statements of Cash Flows

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Cash flows from operating activities:		
Net income before income taxes and minority interests	¥ 728,098	¥ 634,798
Depreciation	219,298	204,734
Impairment losses	6,343	4,871
Increase (decrease) in reserve for outstanding claims	(33,801)	(110,871)
Increase (decrease) in policy reserve	(5,384,121)	(4,252,336)
Interest on reserve for policyholders' dividends	21,483	17,765
Provision for reserve for policyholders' dividends	294,394	311,922
Amortization of goodwill including impairment	25	4
Amortization of negative goodwill	(1,645)	—
Equity in (earnings) losses of affiliates	(17)	(31)
Increase (decrease) in allowance for doubtful accounts	1,098	2,973
Increase (decrease) in reserve for employees' bonuses	549	(34,720)
Increase (decrease) in reserve for employees' retirement benefits	(82,336)	(90,310)
Increase (decrease) in reserve for directors' retirement benefits	145	16
Increase (decrease) in reserve for price fluctuations in security investments	(25,173)	(11,734)
Interest and dividend income–accrual basis	(1,617,928)	(1,581,320)
Interest expenses–accrual basis	3,121	2,092
Interests and dividend income	(2,066,085)	(2,044,121)
Interest expenses	447,718	360,685
Losses (gains) related to securities	4,965	30,548
Losses (gains) on money held in trust	(41,177)	(29,464)
Losses (gains) on foreign exchanges	(309)	265
Losses (gains) on sales and disposal of fixed assets	4,377	7,782
Loss on natural disaster	—	5,642
Net (increase) decrease in loans and bills discounted	8,521	(217,672)
Net increase (decrease) in deposits	(1,628,960)	(1,198,628)
Proceeds from redemption of deposits to the fiscal loan fund	6,700,000	2,000,000
Net increase (decrease) in borrowed money	(6,700,000)	(2,000,000)
Net (increase) decrease in negotiable certificates of deposit	2,220,000	35,000
Net (increase) decrease in call loans	(267,331)	(176,976)
Net (increase) decrease in receivables under securities borrowing transactions	(1,769,836)	(1,987,773)
Net increase (decrease) in payables under securities lending transactions	5,431,246	1,847,843
Net (increase) decrease in foreign exchange assets	4,011	1,125
Net increase (decrease) in foreign exchange liabilities	14	61
Interests and dividends received	2,227,579	2,232,745
Interest paid	(384,429)	(431,068)
Others	(234,459)	(156,394)
Subtotal	(1,914,619)	(6,622,545)
Interests and dividend income–cash basis	1,778,815	1,698,052
Interest expenses–cash basis	(3,137)	(2,109)
Dividends to policyholders paid	(397,653)	(374,860)
Income taxes paid	(245,992)	(343,602)
Net cash used in operating activities	**(782,587)**	**(5,645,065)**

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Cash flows from investing activities:		
Payments for purchase of call loans	(30,031,989)	(31,157,189)
Proceeds from redemption of call loans	30,138,358	30,915,389
Payments for purchase of monetary claims bought	(3,500)	(62,296)
Proceeds from sales and redemption of monetary claims bought	—	29,997
Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	(57,869)	(18,527)
Payments for purchase of securities	(82,058,520)	(59,154,254)
Proceeds from sales of securities	12,029,991	10,842,288
Proceeds from redemption of securities	68,731,420	53,933,186
Payments for increase in money held in trust	(60,902)	(1,248,239)
Proceeds from decrease in money held in trust	816,726	462,235
Payments for loans	(2,668,856)	(2,351,320)
Proceeds from collection of loans	4,750,081	4,064,348
Payments for purchase of tangible fixed assets	(57,894)	(123,634)
Proceeds from sales of tangible fixed assets	903	7,373
Payments for purchase of intangible fixed assets	(104,781)	(81,026)
Payments for share acquisition from minority shareholders	(4,570)	(51)
Proceeds from purchase of shares accompanied by change of scope of consolidation	5,844	—
Others	166,930	(94,899)
Net cash provided by investing activities	**1,591,371**	**5,963,381**
Cash flows from financing activities:		
Proceeds from borrowings	2,045	2,818
Repayments of borrowings	(23,314)	(3,178)
Dividends paid	(27,256)	(36,346)
Proceeds from stock issuance to minority shareholders	121	49
Others	(1,360)	(2,152)
Net cash used in financing activities	**(49,765)**	**(38,810)**
Foreign currency translation adjustments on cash and cash equivalents	**462**	**555**
Net increase (decrease) in cash and cash equivalents	**759,480**	**280,062**
Cash and cash equivalents at beginning of year	**6,398,062**	**7,157,542**
Cash and cash equivalents at end of year	**¥ 7,157,542**	**¥ 7,437,605**

5 Basis of Presentation of Consolidated Financial Statements

Note: Amounts are rounded down to the nearest million yen.

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries: 12

Principal companies:

Japan Post Network Co., Ltd.

Japan Post Service Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

Effective from the current fiscal year, JP Express Co., Ltd. was excluded from the scope of consolidation following the completion of its liquidation and JP Logistics Partners Co., Ltd. was excluded following its absorption by JP Media Direct Co., Ltd.

(2) Non-consolidated subsidiaries: 5

Principal companies:

Tokyo Beiyu Co., Ltd.

Nittei Butsuryu Gijutsu Co., Ltd.

The respective and aggregate effect of the companies, which are not accounted for consolidation, on total assets, revenues, surplus in the current fiscal year (amount corresponding to Japan Post Group's equity position), surplus at the end of the fiscal year (amount corresponding to Japan Post Group's equity position), and deferred gains (losses) on derivatives under hedge accounting (amount corresponding to Japan Post Group's equity position) are immaterial. This exclusion from the scope of consolidation does not prevent a reasonable judgment of the consolidated financial position of the Japan Post Group and its subsidiaries and the result of their operations.

2. Matters concerning application of the equity method

(1) Non-consolidated subsidiaries accounted for by the equity method

None

(2) Equity-method affiliates: 1

SDP Center Co., Ltd.

ANA & JP Express Co., Ltd. is no longer an affiliate due to the sale of its stock and was excluded from equity-method affiliates starting with the current fiscal year.

(3) Non-consolidated subsidiaries not accounted for by the equity method: 5

Principal companies:

Tokyo Beiyu Co., Ltd.

Nittei Butsuryu Gijutsu Co., Ltd.

These non-consolidated subsidiaries are not accounted for under the equity method, since this exclusion has no impact on the consolidated financial statements, considering their net income (loss) (amount corresponding to Japan Post Group's equity position), retained earnings (amount corresponding to Japan Post Group's equity position), net deferred gains (losses) on derivatives under hedge accounting (amount corresponding to Japan Post Group's equity position) and others.

(4) Affiliates not accounted for by the equity method

None

3. Matters concerning the balance sheet dates of consolidated subsidiaries

Fiscal year-end for consolidated subsidiaries

End of March: 12

4. Summary of significant accounting policies

(1) Valuation criteria and methods for trading securities

Trading securities are stated at market value.

(2) Valuation criteria and methods for securities

1) Concerning valuation of securities, held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Bonds earmarked for policy reserves are stated at amortized cost (straight-line method) using the moving-average method based on "Temporary Treatment of Accounting and Auditing Concerning Policy reserve-matching bonds in the Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (JICPA)). Shares of non-consolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the consolidated balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the consolidated balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities that are extremely difficult to identify the market values are stated at cost or amortized cost (straight-line method) using the moving-average method.

Net unrealized gains or losses on available-for-sale securities (including gains/losses arising from foreign exchange rate changes, but excluding those securities whose principal is hedged to protect from the risk of potential foreign exchange rate changes) are included in net assets.

2) Securities managed as assets of money held in trust are valued by a method similar to the one stated in 1). The buildings portion of real estate comprising trust assets is stated at amortized cost using the straight-line method. Real estate, excluding buildings, is stated at amortized cost using the declining-balance method.

Valuation differences for money held in trust are all included in net assets.

Valuation and translation adjustments of contribution to society and community funds assets are listed under "Valuation and translation adjustments of contribution to society and community funds" in net assets as prescribed by the provisions of Article 12, Paragraph 4 of the Japan Post Holdings Law.

(3) Valuation criteria and methods for derivative transactions

Derivative transactions are valued by the market value method.

(4) Depreciation methods of fixed assets

1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is computed by the declining balance method. (However, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method.)

Useful lives of principal assets are as follows:

Buildings: 2-65 years

Other: 2-75 years

2) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets, except software intended for internal use, is computed by the straight-line method. The development costs of software intended for internal use are amortized over the expected useful lives of five years by the straight-line method.

3) Leased assets

Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero or guaranteed value by the straight-line method during the lease term.

(5) Recognition of allowance for doubtful accounts

1) For allowance for doubtful accounts of the Company and its consolidated subsidiaries other than Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., allowance is provided for general accounts receivable using a rate determined by past bad debt experience. Additionally, a reserve is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered to be uncollectible after reviewing their respective collectability.

2) Allowance for doubtful accounts of Japan Post Bank Co., Ltd. is provided for in accordance with the write-off and provision standards as described below:

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

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

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

3) Allowance for doubtful accounts of Japan Post Insurance Co., Ltd. is provided pursuant to its standards for self-assessment of asset quality, and general allowance is providing using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectability of accounts, are provided for.

For all loans and claims, the relevant department in Japan Post Insurance performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

(6) Reserve for employees' bonuses

To provide for the payment of bonuses to employees, a reserve is provided in the amount expected to be incurred at the end of the fiscal year based on the projected obligations at the end of the fiscal year.

(7) Reserve for employees' retirement benefits

1) To provide for the payment of retirement benefits to employees, a necessary amount of reserve for employees' retirement benefits is provided based on the estimated projected benefit obligations on the balance sheet date. Treatments of prior service cost and the cost of actuarial difference are as follows.

Prior service cost

Prior service cost is amortized using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees in the fiscal year the difference is incurred.

Actuarial difference

The cost of actuarial difference is amortized in a proportional amount using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees from the fiscal year following the respective fiscal year in which the difference is recognized.

2) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for the service period in and before December 1958 of those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

3) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and before December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (five years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(8) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, the Company provides a reserve for directors' retirement benefits, in accordance with its internal rules, that is deemed to have accrued on the balance sheet date.

(9) Translation of foreign currency-denominated assets and liabilities

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(10) Accounting for hedges

1) Hedge accounting for interest rate risks

The Company and its consolidated subsidiaries apply deferred hedge accounting to account for transactions they enter into to hedge interest rate risks on financial assets and liabilities.

Regarding comprehensive hedges for small-lot multiple short-term payables, the Company applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24).

Regarding the method for evaluating hedge effectiveness, for comprehensive hedges for small-lot multiple short-term payables, the effectiveness of hedges that offset market fluctuations are assessed by identifying hedged deposits and the corresponding hedging instruments such as interest rate swaps that are grouped into each prescribed residual time maturity period.

For individual hedges, with respect to methods for evaluating the effectiveness of this hedging, for hedging to offset rate fluctuations, the Company and its consolidated subsidiaries implement hedge designation, for which crucial conditions concerning the hedged interest rates and hedging methods are almost same as the requirements for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis. Accordingly, such hedges are considered as highly effective, resulting in a substitution for evaluating the effectiveness of the hedging transactions. In addition to the above, the Company and its consolidated subsidiaries apply exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional accrual method for interest rate swaps.

2) Hedge accounting for foreign exchange risks

The Company and its consolidated subsidiaries apply deferred hedges, fair value hedge accounting method, or allocation procedures to hedge foreign exchange fluctuation risk for other foreign currency-denominated securities.

With respect to evaluation of hedge efficiency, the Company and its consolidated subsidiaries and affiliates use forward foreign exchange contracts with the same currencies, the same settlement dates and the same notional principals as the hedged assets. Thus the relationship between cash flows from the hedged assets and the hedging instruments is closely correlated. As a result, their hedges are deemed to be highly effective.

(11) Amortization method of goodwill and amortization period

Goodwill is amortized up to five years depending on the cause of amortization using the straight-line method. However, immaterial goodwill is charged in the year of acquisition.

(12) Reserve for price fluctuations in security investments

To provide for losses from price fluctuations of marketable securities, reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Law.

(13) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents consists of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value (excluding negotiable certificates of deposit held by the banking subsidiary included in "cash and due from banks").

(14) Principal matters serving as the basis for preparing financial statements

1) Consumption taxes

All figures are net of consumption taxes.

2) Consolidated tax provision

The Company and certain consolidated subsidiaries adopt the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

3) Method of accumulating policy reserves

A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Law. A policy reserve is recognized by performing a calculation based on the following methodology:

(i) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Minister for Finance Services (Ordinance No. 48 issued by the Ministry of Finance in 1996).

(ii) Reserves for the other contracts are computed based on the net level premium method.

Pursuant to Article 69-5 of the Enforcement Regulations of the Insurance Business Law, effective from the current fiscal year, additional policy reserves are being accumulated over a 10-year period for a portion of reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance, which is an incorporated administrative agency. For the current fiscal year, the amount is ¥160,759 million. At the same time, contingency reserves are reversed by an equivalent amount and appropriated to the policy reserve. Thus, there is no impact on net ordinary income and net income before income taxes and minority interests.

4) Method of accumulating reserve for outstanding claims

In accordance with Ordinance No. 49 issued by the Financial Services Agency in 2011 concerning Article 73-1-2 of the Enforcement Regulations of the Insurance Business Law, the amount of reserve for outstanding claims includes the amount of those for the Great East Japan Earthquake.

5) Accumulations for contribution to society and community funds are made as stipulated by Article 13 of the Japan Post Holdings Co., Ltd. Law.

Changes in basis of presentation of consolidated financial statements

(Application of Accounting Standard for Asset Retirement Obligations)

Effective from the current fiscal year, the Company has applied "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ), Statement No. 18; March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008).

There was no material impact on net ordinary income and net income before income taxes and minority interests as a result of this change.

(Application of the Accounting Standards for Business Combinations)

Effective from the current fiscal year, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21; December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23; December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7; December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16; Revised December 26, 2008), and "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10; December 26, 2008).

Changes in presentation method

(Concerning the Consolidated Balance Sheets)

Because of its decreased importance, "Negative goodwill" (¥298 million in the current fiscal year), which was listed as a separate item in the previous fiscal year, is included in "Other liabilities" within "Liabilities" from the current fiscal year.

(Concerning the Consolidated Statements of Income)

From the current fiscal year, the Company has adopted the appended form of the Enforcement Ordinance Concerning the Banking Law (Ministry of Finance Ordinance No. 10, 1982) that was revised by Cabinet Office Ordinance according to Partially Revising Enforcement Ordinance Concerning the Banking Law (Cabinet Office Ordinance No. 41, September 21, 2010) and expresses "Income before minority interests."

(Concerning the Consolidated Statements of Cash Flows)

Because of its decreased importance, "Amortization of negative goodwill" ((¥198 million) in the current fiscal year), which was previously listed as a separate item under Cash flows from operating activities, is in "Others" from the current fiscal year.

Additional Information

Effective from the current fiscal year, the Company has applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25; June 30, 2010). The amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the previous fiscal year had been presented as "Valuation and translation adjustments" and "Total valuation and translation adjustments", respectively, in prior years.

6 Notes to Consolidated Financial Statements

1. Notes to Consolidated Balance Sheets

1. Securities include ¥961 million in shares of non-consolidated subsidiaries and affiliates.
2. For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with repurchase agreements or bond lending transactions secured by cash, the balance of the portion of securities where the Company has the right to unrestricted disposal of securities through sales or the reuse (pledge) as collateral was ¥5,771,562 million.
3. Among loans, the amount of non-accrual delinquent loans is ¥2 million.
   Among loans (except those written off) on which accrued interest income is not recognized as there is substantial doubt about the collectability of either principal or interest because these have been past due for a considerable time, non-accrual delinquent loans are those other than loans for which payment of interest has been deferred to support or rehabilitate the loans or the obligor for purposes stated in (i) to (v) of Article 96, Paragraph 1-3 and 1-4 of the Ordinance for Enforcement of Corporation Tax Act (Cabinet Order 97, 1965).
   The amount of the relevant loans is the amount before deductions of allowance for doubtful accounts.
4. Accumulated depreciation of tangible fixed assets: ¥599,325 million
5. Changes in reserve for policyholders' dividends
   Amount at the previous fiscal year-end: ¥2,677,965 million
   Dividends to policyholders paid in the current fiscal year: ¥374,860 million
   Increase in interest: ¥17,765 million
   Decrease due to increased annuity purchases: ¥587 million
   Provision for reserve for policyholders' dividends: ¥311,922 million
   Amount at the end of the current fiscal year: ¥2,632,205 million
6. The policy reserves (except for the contingency reserve) related to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance amount to ¥77,983,715 million. The amount was calculated based on the prescribed calculation method for premiums and policy reserves and it will not be lower than the amount calculated by the calculation method for the policy reserves of postal life insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No. 101, 2005).
   In addition, with the reinsurance-related segment used as the source, ¥2,826,992 million in contingency reserve and ¥401,597 million in reserve for price fluctuations in security investments are provided.
7. At the end of the current fiscal year, the insurance subsidiary's expected future liabilities for the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act amounted to ¥5,418 million.
   Such burden charges are processed as operating expenses within the consolidated accounting year.

2. Notes to Consolidated Statements of Income

1. Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an incorporated administrative agency, ¥311,922 million is provided for reserve for policyholders' dividends based on the performance of the segment related to reinsurance.
2. Loss on natural disaster is related to damage incurred in branches and delivery/collection centers in each region caused by the Great East Japan Earthquake on March 11, 2011. This amount is computed using a best estimate based on currently available information. The major items of the loss are those from damage to mainly tangible assets in ¥1,751 million, mainly removal costs of mainly tangible assets in ¥728 million and restoration costs of tangible assets in ¥1,931 million.

3. Notes to Consolidated Statements of Comprehensive Income

1. Other comprehensive income for the previous fiscal year
   Other comprehensive income ¥456,605 million
   Net unrealized gains (losses) on available-for-sale securities ¥435,560 million
   Deferred gains (losses) on derivatives under hedge accounting ¥21,044 million
2. Comprehensive income for the previous fiscal year
   Comprehensive income (loss) ¥895,219 million
   Comprehensive income attributable to owners of the parent ¥906,826 million
   Comprehensive income attributable to minority interest ¥(11,607) million

4. Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

	Number of shares as of previous fiscal year-end	Increase in number of shares in current fiscal year	Decrease in number of shares in current fiscal year	Number of shares as of current fiscal year-end	Remarks
Shares issued					
Common shares	150,000	—	—	150,000	

2. Dividends
   In accordance with Article 11 of the Japan Post Holdings Co., Ltd. Law, dividend distribution from retained earnings is subject to approval by the Minister of Internal Affairs and Communications.
   Cash dividends (paid) of the current fiscal year

(Resolution)	Type of shares	Aggregate amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors on June 21, 2010	Common shares	36,346	242.31	March 31, 2010	June 25, 2010

5. Notes to Consolidated Statements of Cash Flows

1. The reconciliation of cash and cash equivalents in the consolidated statements of cash flows to cash and due from banks as stated in the consolidated balance sheets as of March 31, 2011 is as follows.
   Cash and due from banks: ¥8,337,805 million
   Negotiable certificates of deposit held by the banking subsidiary included in cash and due from banks: ¥ (1,045,000) million
   Negotiable certificates of deposit included in securities: ¥145,000 million
   Deposits with maturities of more than 90 days: ¥ (200) million
   Cash and cash equivalents: ¥7,437,605 million
2. Contribution to society and community funds included in "Payments for increase in money held in trust" in cash flows from investing activities amounted to ¥14,538 million.

6. Financial Instruments

1. Status of Financial Instruments

(1) Approach to Financial Instruments
   The Group is required to manage most financial assets and liabilities owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., in order to avoid adverse effects such as damage to the ability to secure more stable profit or loss for the period due to future interest rate risk and foreign exchange risk, since these assets and liabilities are generally subject to changes in value due to fluctuations in interest.
   For the purpose, both companies endeavor to properly manage income and risk by means of asset liability management (ALM), under which framework they enter into transactions in derivatives such as interest rate swaps and foreign exchange futures.
   Derivative transactions are identified as a key hedging method against interest rate risk and foreign exchange risk to our investment assets, and we use them for hedging purposes only (not for speculative purposes).

(2) Features and Risks of Financial Instruments
   In the Group, financial assets owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., consist mainly of securities such as domestic and overseas securities, in particular government bonds, stock investments through loans and money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate risk, and fair value fluctuation risk.
   From an ALM viewpoint, we use interest rate swaps as a means of hedging future price volatility risk and interest rate risk of securities, loans and bills, time and savings deposits, and others in interest rate-related transactions. On the other hand, for currency-related transactions, we use currency swap and foreign exchange contracts as a means of hedging foreign exchange risk of values assessable at exchange rate of assets in foreign currency owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. The values of redemptions and interest are converted into yen.
   When we hedge risk using derivative transactions, the Group applies hedging accounting for transactions meeting certain prescribed requirements in order to limit impacts on financial accounting.

(3) Risk Management Framework for Financial Instruments
   The "Basic Policy for Group Risk Management" prepared by the Company classifies and defines risk categories managed by Group companies and prescribes basic policy that must be followed by Group companies.

The current status of Group company risk management is periodically reported to the management meeting in which the Group's risk management policies and risk management systems are discussed.

For risks such as market risk, credit risk and other types of risk, each company identifies risks that can be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to measure these risks. The Company manages risk by confirming that the amount of risk measured at each of these two companies is suitable in relation to each company's equity capital.

1) Credit Risk Management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify credit risk exposure, respectively in accordance with rules on credit risk management. Moreover, to control credit concentration risk, they provide credit limits for individual companies and corporate groups and supervise these limits during each fiscal year.

2) Market Risk Management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify market risk exposure, respectively in accordance with rules on market risk management.

3) Management of Liquidity Risk with Respect to Procurement of Funds

Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., have established indicators for fund procurement and other aspects of operations to manage cash flow risk.

(4) Additional Notes Concerning the Market Value of Financial Instruments

The market value of a financial instrument includes prices based on market quotations as well as rationally calculated prices. In calculating the prices we adopt certain premises and assumptions, and the use of different premises may lead to changes in pricing.

2. Market Values of Financial Instruments and Others

Amounts carried on the consolidated balance sheet, market values and the difference between them as of March 31, 2011 are as follows. In the meantime, privately held shares and others for which it is extremely difficult to identify the market values are not included in the table below (see Note 2).

(Millions of yen)

	Consolidated balance sheet amount	Market value	Difference between them
(1) Cash and due from banks	8,337,805	8,337,805	—
(2) Call loans	1,025,352	1,025,352	—
(3) Receivables under securities borrowing transactions	5,750,045	5,750,045	—
(4) Monetary claims bought	173,912	173,912	—
(5) Trading account securities			
Trading securities	282	282	—
(6) Money held in trust (* 2)	2,062,732	2,062,732	—
(7) Securities			
Held-to-maturity securities	157,908,478	162,110,013	4,201,534
Bonds earmarked for policy reserves	30,152,441	31,154,718	1,002,276
Available-for-sale securities	64,174,969	64,174,969	—
(8) Loans	18,786,271		
Reserve for possible loan losses (* 3)	(246)		
	18,786,024	19,792,459	1,006,435
Total Assets	288,372,045	294,582,291	6,210,246
(1) Deposits	173,589,158	174,151,252	562,094
(2) Payables under securities lending transactions	9,561,472	9,561,472	—
(3) Borrowed money	879	879	(0)
Total Liabilities	183,151,510	183,713,604	562,093
Derivatives (* 4)			
Those with hedge accounting not being applied	115	115	—
Those with hedge accounting being applied	(1,832)	(1,832)	—
Total Derivatives	(1,716)	(1,716)	—

(* 1) Accounts with little significance for the consolidated balance sheet amount are omitted.

(* 2) Money held in trust included in society and community funds is included in "Assets (6) Money held in trust."

(* 3) Reserve for general loan losses corresponding to loans has been deducted.

(* 4) Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums.

Net receivables and payables arising from derivative transactions are stated at net values, and if the values are minus, they are indicated in parentheses. Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward exchange contracts which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly handled with hedged loans and securities. Then their market values are included in the relevant loans and securities.

Note 1: Calculation Method for Market Values of Financial Instruments

<u>Assets</u>

(1) Cash and due from banks

For funds due from banks with no maturity date, market value is close to book value, which is therefore used as market value. For funds due from banks with a maturity date, the contract period is short (within a year), and market value is close to book value, which is therefore used as market value.

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

These are settled within a short term (one year), and their market value is close to book value, which is therefore used as market value.

(4) Monetary claims bought

The price offered by the broker serves as market value.

(5) Trading account securities

The purchase price from the Bank of Japan serves as market value.

(6) Money held in trust

The market value of securities invested in money held in trust, which is solely entrusted for security trading purposes, is based on stock exchange prices for shares, on over-the-counter prices for bonds, or on prices rationally calculated mutatis mutandis on the basis of market quotations.

Property as part of trust assets is stated based on book value.

Notes to money held in trust are given in "8. Money Held in Trust" in accordance with the purpose of the holdings.

(7) Securities

Market value is based on stock exchange prices for shares, on over-the-counter prices for bonds, or on prices rationally calculated mutatis mutandis on the basis of market quotations.

Notes to securities as classified according to the purpose of holding are given in "7. Securities".

(8) Loans

For loans with variable interest rates, which follow market interest rates only over the short term, market value is close to book value unless the obligor's credit standing does not significantly differ after the transaction. Then book value serves as market value.

For those with fixed interest rates, market value is based on a net present value discounted by future cash flow. For loans which amounts are limited to the values of corresponding collateral and which have no fix date of repayments, their market values are used as book values considering the term and conditions.

<u>Liabilities</u>

(1) Deposits

For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed market value. For the market value of the time and savings deposits, net present value is discounted by future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.

(2) Payables under securities lending transactions and (3) Borrowed money

For those settled within a short term (one year), their market value is close to book value, which is therefore used as market value. For borrowed money with an agreed period over a year, an interest rate expected for similar borrowing is deducted from the principal and interest in order to compute a net present value.

<u>Derivatives</u>

Derivatives consist of interest rate-related transactions (interest rate swaps and others) and currency-related transactions (exchange contracts and others). Then market value is based on over-the-counter prices or value obtained from the net present value.

Note 2: Financial instruments for which it is deemed extremely difficult to identify the market values are as shown below; they are not included in "Assets (7) Securities" under information concerning market values of financial instruments.

(Millions of yen)

Classifications	Consolidated balance sheet amount
Privately held shares (Note)	141,112
Others	10
Total	141,122

Note: Since privately held shares have no market quotations and it is deemed extremely difficult to identify their market values, they are not disclosed at market value.

Note 3: Amount to Be Redeemed after the Consolidated Balance Sheet Date for Monetary Claims and Securities with Maturity

(Millions of yen)

	Within a year	Over a year within 3 years	Over 3 years within 5 years	Over 5 years within 7 years	Over 7 years within 10 years	Over 10 years
Due from banks	6,861,497	200	—	—	—	—
Call loans	1,025,352	—	—	—	—	—
Receivables under securities borrowing transactions	5,750,045	—	—	—	—	—
Monetary claims bought	40,590	11,479	6,208	5,488	24,827	84,025
Securities						
Held-to-maturity securities	26,651,663	39,661,382	32,979,940	25,794,065	18,109,717	14,321,600
Bonds earmarked for policy reserves	4,076,841	5,600,389	7,273,700	6,698,559	2,015,577	4,249,500
Available-for-sale securities with maturity	15,305,511	12,379,399	7,917,125	7,579,066	11,930,439	5,493,796
Loans	3,083,117	3,370,257	2,800,177	2,282,055	2,894,062	4,349,886
Total	62,794,620	61,023,108	50,977,152	42,359,235	34,974,623	28,498,808

Note 4: Amount to Be Repaid after the Consolidated Balance Sheet Date for Borrowed Money and Other Liabilities with Interest

(Millions of yen)

	Within a year	Over a year within 3 years	Over 3 years within 5 years	Over 5 years within 7 years	Over 7 years within 10 years	Over 10 years
Deposits (Note)	85,319,315	7,990,277	5,888,478	28,944,454	45,446,632	—
Payables under securities lending transactions	9,561,472	—	—	—	—	—
Borrowed money	854	25	—	—	—	—
Total	94,881,642	7,990,302	5,888,478	28,944,454	45,446,632	—

Note: The demand deposits are included in "Within a year".

7. Securities

Securities discussed here include "Trading account securities," negotiable certificates of deposit recorded under "Cash and due from banks," trust beneficiary rights under "Monetary claims bought" in addition to "Securities" in the consolidated balance sheets.

1. Trading account securities (As of March 31, 2011)
   No net unrealized gain/losses are charged to period income from trading account securities.

2. Held-to-maturity securities (As of March 31, 2011)

(Millions of yen)

	Type	Consolidated balance sheet amount	Market value	Difference between them
With a market value exceeding consolidated balance sheet amount	Japanese government bonds	137,061,440	140,861,718	3,800,277
	Japanese local government bonds	6,537,784	6,777,252	239,467
	Japanese corporate bonds	7,409,847	7,653,617	243,769
	Others	181,761	190,546	8,785
	Subtotal	151,190,833	155,483,134	4,292,300
With a market value not exceeding consolidated balance sheet amount	Japanese government bonds	4,951,872	4,869,471	(82,400)
	Japanese local government bonds	1,106,508	1,092,240	(14,268)
	Japanese corporate bonds	596,030	593,726	(2,303)
	Others	63,233	62,319	(914)
	Subtotal	6,717,644	6,617,758	(99,885)
Total		157,908,478	162,100,893	4,192,414

3. Bonds earmarked for policy reserves (As of March 31, 2011)

(Millions of yen)

	Type	Consolidated balance sheet amount	Market value	Difference between them
With a market value exceeding consolidated balance sheet mount	Japanese government bonds	25,823,355	26,792,258	968,903
	Japanese local government bonds	1,369,290	1,410,634	41,344
	Japanese corporate bonds	1,111,490	1,131,658	20,167
	Others	—	—	—
	Subtotal	28,304,135	29,334,551	1,030,415
With a market value not exceeding consolidated balance sheet amount	Japanese government bonds	1,848,305	1,820,166	(28,138)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	1,848,305	1,820,166	(28,138)
Total		30,152,441	31,154,718	1,002,276

4. Available-for-sale securities (As of March 31, 2011)

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference between them
With consolidated balance sheet amount exceeding acquisition cost	Shares	—	—	—
	Bonds	41,432,256	40,791,447	640,809
	Japanese government bonds	31,790,152	31,371,977	418,175
	Japanese local government bonds	2,105,071	2,052,733	52,338
	Short-term corporate bonds	—	—	—
	Japanese corporate bonds	7,537,033	7,366,737	170,295
	Others	6,751,089	6,615,120	135,969
	Subtotal	48,183,346	47,406,568	776,778

With consolidated balance sheet amount not exceeding acquisition cost	Shares	17,696	18,988	(1,292)
	Bonds	12,243,350	12,312,385	(69,035)
	Japanese government bonds	9,103,491	9,125,906	(22,414)
	Japanese local government bonds	795,982	801,768	(5,786)
	Short-term corporate bonds	102,999	102,999	—
	Japanese corporate bonds	2,240,876	2,281,710	(40,834)
	Others	5,889,489	6,035,875	(146,385)
	Subtotal	18,150,535	18,367,248	(216,712)
Total		66,333,882	65,773,816	560,065

5. Held-to-maturity securities sold during the fiscal year
(From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Cost of securities sold	Sales amount	Gain/loss on sales
Japanese government bonds	3,634,046	3,637,299	3,252
Total	3,634,046	3,637,299	3,252

Rationale: The above securities were sold in accordance with Article 282 of the Accounting Industry Audit Committee Report No. 14 ("Practical Guidance on Accounting for Financial Products") issued by JICPA.

6. Bonds earmarked for policy reserves sold during the fiscal year
(From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Japanese government bonds	2,153,670	55,458	2,033
Total	2,153,670	55,458	2,033

7. Available-for-sale securities sold during the fiscal year
(From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Shares	1	—	0
Bonds	3,836,296	25,662	26,270
Japanese government bonds	3,836,296	25,662	26,270
Japanese corporate bonds	—	—	—
Others	1,157,717	9,971	76,042
Total	4,994,014	35,634	102,313

8. Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2011)
None

2. Money held in trust classified as held-to-maturity (As of March 31, 2011)
None

3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2011)

(Millions of yen)

	Consolidated balance sheet amount	Acquisition cost	Difference between them	With the amount carried on the balance sheet exceeding acquisition cost	With the amount carried on the balance sheet not exceeding acquisition cost
Other money held in trust	2,062,732	1,928,969	133,762	185,710	(51,947)

Note 1: Money held in trust in contribution to society and community funds is included in the above table.

Note 2: "With the amount carried on the balance sheet exceeding acquisition cost" and "With the amount carried on the balance sheet not exceeding acquisition cost" are net unrealized gain and loss, respectively.

9. Retirement Benefit Plans

1. Summary of retirement benefit scheme
The Company and its principal consolidated subsidiaries have defined-benefit plans, i.e., lump-sum payment plans in addition to the mutual aid pension program in accordance with the Law Concerning the Mutual Aid Association of National Public Workers.

2. Information about retirement benefit obligation

(Millions of yen)

2011 (As of March 31, 2011)	
Retirement benefit obligation	(3,374,853)
Pension assets	11,340
Unfunded retirement benefit obligation	(3,363,512)
Unrecognized actuarial differences	(124,709)
Unrecognized prior service cost	(2,777)
Net amount on Balance Sheet	(3,490,999)
Reserve for employees' retirement benefits	(3,490,999)

3. Information about retirement benefit expenses

(Millions of yen)

2011 (From April 1, 2010 to March 31, 2011)	
Service cost	115,458
Interest cost	58,565
Expected return on pension assets	(234)
Amortization of prior service cost	(492)
Amortization of actuarial differences	(8,126)
Retirement benefit expenses	165,170

Note: Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "service cost."

4. Basis for calculation of retirement benefit obligation

2011 (As of March 31, 2011)	
Discount rate:	1.1～2.0%
Expected rate of return on pension assets:	2.0%
Recognition method of projected retirement benefit:	Straight-line method over the determined period
Amortization of prior service cost:	8～14 years
Method of amortizing actuarial differences:	5～14 years

10. Per Share Information

(yen)

2011 (From April 1, 2010 to March 31, 2011)	
Net assets per share	66,658.19
Net income per share	2,792.86

Note: Because there was no dilution, the amount for net income per share after dilution is omitted.

11. Risk-Monitored Loans

(Millions of yen)

	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Bankrupt loans	—	—
Non-accrual delinquent loans	—	2
Past-due loans (three months or more)	—	—
Restructured loss	—	—
Total	—	2

12. Subsequent Events

None

7 Capital Adequacy

1. Qualitative Disclosure

1. Scope of consolidation

(1) Differences between companies belonging to the Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Consolidated Capital Adequacy Ratio Disclosure Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements

The Company calculates its consolidated capital ratio as follows. Pursuant to Article 52–25 of the Banking Act, Consolidated capital adequacy ratio is calculated its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereafter, Consolidated Capital Adequacy Ratio Disclosure Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. Accordingly, the Group is comprised of the following 11 companies (hereafter the "Group") for the calculation of the consolidated capital ratio: Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Staff Co., Ltd., Yusei Challenged Co., Ltd., Post Office Business Support Co., Ltd., JP Logi Service Co., Ltd., JP Biz Mail Co., Ltd., JP Media Direct Co., Ltd., JP Sankyu Global Logistics Co., Ltd. and Japan Post Transport Co., Ltd. Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the scope of consolidation. Furthermore, Japan Post Insurance Co., Ltd. is subject to deduction from capital in accordance with Article 20, Paragraph 1-2 (insurance affiliate) of the FSA's Capital Adequacy Ratio Disclosure Notice.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 12 companies, comprising 11 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 62 through 73.

(2) Number of consolidated subsidiaries and principal subsidiaries

For the purpose of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, the Group comprises the Company and the 11 companies noted above.

Principal subsidiaries are: Japan Post Network Co., Ltd., Japan Post Service Co., Ltd. and Japan Post Bank Co., Ltd. See pages 28 through 61 for details on activities of the individual companies.

(3) Affiliates to which Article 21 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice is applicable

None

(4) Companies to which Article 20, Paragraph 1, Subparagraph 2, Items (i) to (iii) (Companies subject to deduction from capital) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice is applicable:

1) Companies to which Item (i) is applicable:
None

2) Companies to which Item (ii) is applicable:
Tokyo Beiyu Co., Ltd., Nittei Butsuryu Gijutsu Co., Ltd., Nagoya Yubin Yuso Co., Ltd., Kinki Kosoku Yubin Yuso Co., Ltd. and Osaka Air Mail Co., Ltd.

3) Companies to which Item (iii) is applicable:
Japan Post Insurance Co., Ltd.

(5) Companies engaged primarily in the business defined in Article 52-23-1, Subparagraph 10-(i) of the Banking Act or companies falling under Article 52-23-1, Subparagraph 11 but not belonging to the Group

None

(6) Restrictions on transfer of funds and common stock among companies in the holding company group

None

2. Summary of capital funding methods

The Company raises capital through equity financing (issuance of common stock). The Ministry of Finance holds 100% of the outstanding stock of the Company.

3. Summary of evaluation method for capital adequacy of holding company group concerning the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2011 calculated in accordance with the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice was 61.30% (Tier I ratio was 68.65%). This level is substantially higher than the 4% capital adequacy ratio required as a minimum standard for banks that operate only in Japan. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risks. A figure for market risk is not included.

*Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "4. Group Risk Management" on pages 84 through 85 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Risk is monitored and managed by establishing a credit line so that the amount of credit risk does not exceed the amount of capital allocated for credit risk, based on the Bank's equity and other resources. In addition, Japan Post Bank performs stress tests to be prepared for an increase in credit concern resulting from big recession in the economy that exceeds the range that can be statistically foreseen.

To control credit concentration risk, Japan Post Bank provides credit limits for individual companies and corporate groups and supervises these limits during each fiscal year. The Bank plans to upgrade its credit portfolio management capabilities due to the expected increase in the number of obligors.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Office, positioned as a credit control unit. Within the Bank's organization, these units are independent of front-office and back-office operations.

The Risk Management Department is responsible for the internal credit rating system, self-assessments of loans and other credit risk activities. The Credit Office is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Moreover, Japan Post Bank conducts credit business with the fundamental principles of public welfare, financial soundness and profitability. The Bank has a "Credit Business Regulation" to underpin sound and appropriate credit business activities by all executives and employees, in which the Bank has defined in writing its basic philosophy, behavior guidelines and other items of credit business.

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards from the "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc. Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by marketing departments and then audited by independent credit assessment departments.

Japan Post Bank continuously monitors obligors' ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner.

(2) Portfolios where the standardized approach is applied

1) Qualified rating agencies, etc. used in making judgments on risk weights

When making judgments on risk weights, Japan Post Bank uses the credit ratings of four rating agencies and the Organization for Economic Cooperation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

For the calculation of the consolidated capital adequacy ratio, Japan Post Holdings also uses the ratings of Fitch Ratings.

2) Qualified rating agencies, etc. used in making judgments on risk weights for each category of exposure

Japan Post Bank uses the following qualified rating agencies, etc. for the following credit risk exposure categories.

When there are ratings from more than one rating agency, Japan Post Bank bases risk weighting decisions on Ministerial Notification of Capital Adequacy Ratio of the Financial Services Agency No. 19, March 27, 2006 (hereafter "Capital Adequacy Ratio Notice"). Based on this standard, the Bank uses the rating corresponding to the second-smallest risk weighting from among all ratings.

Risk exposure		Rating agencies used
National governments and central banks	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P, OECD
Japanese local governments and their agencies		R&I, JCR, Moody's, S&P
Foreign public-sector entities other than national governments		Moody's, S&P, OECD
International development banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese national government-affiliated agencies		R&I, JCR, Moody's, S&P
Financial institutions Primary financial instrument dealers	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P, OECD
Corporate	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P
Securitization		R&I, JCR, Moody's, S&P

5. Summary of risk management policy and procedures for credit risk mitigation techniques

When calculating the capital adequacy ratio, Japan Post Bank applies "credit risk mitigation techniques" prescribed in the Capital Adequacy Ratio Notice. These techniques are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These techniques include qualified financial collateral, the netting of loans and self-deposits, and guaranties, credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts cash, self-deposits and securities as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses the "simple approach" prescribed in the Capital Adequacy Ratio Notice for credit risk mitigation techniques. There are internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self-deposits and types and scope of applicable transactions

For the use of the netting of loans and self-deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., the remaining amount after netting loans and self-deposits is used as the amount of exposure for calculating the capital adequacy ratio.

As of the end of March 2011, Japan Post Bank was not using the offsetting of loans and self deposits.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors are the national governments, etc. to which lower risks weighting than the guaranteed obligations are applied.

Japan Post Bank does not handle credit derivatives that use credit risk mitigation techniques.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Japan Post Bank does not use credit risk mitigation techniques through legally binding mutual netting contracts.

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation techniques

The principal credit risk mitigation techniques are qualified financial collateral that use cash and self-deposits and there is no concentration of credit risk and market risk.

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long term settlements

(1) Policy for calculating collateral protection and derivative transaction loss allowance, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The collateral concerning derivative transactions provided as of March 31, 2011 was ¥32,928 million.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit lines and allocation of capital for risk exposure

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit lines in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is almost all the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and procedures

As an investor, Japan Post Bank is exposed to risks associated with securitization. When purchasing securitization exposure, the Bank provides credit limits based on obligor ratings assigned in accordance not only with external credit ratings but also with the Bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors.

Following a purchase, the Bank monitors external credit ratings, the status of recovering underlying assets and other factors. In addition, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk.

(2) Method used to calculate amount of credit risk assets for securitization exposure

Japan Post Bank uses the standardized approach prescribed in the Capital Adequacy Ratio Notice for calculating amount of credit risk assets for securitization exposure.

(3) Accounting policy on securitized transactions

For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank uses ASBJ Statement No. 10 "Accounting

Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

(4) Qualified rating agencies used in making judgments on risk weights for securitization exposure by category

Japan Post Bank uses the ratings of four credit rating agencies for the calculation of credit risk assets for securitization exposure: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

8. Operational risk

(1) Summary of risk management policy and procedures

The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives and employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, computer system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk. To maintain the suitability of business operations, Japan Post Bank manages operational risk by using the basic approach of identifying, evaluating, controlling, monitoring and reducing these risks.

To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of the impact on operations. The Bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The Bank periodically uses a Risk & Control Self Assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Through RCSA, areas in which risk management needs to be improved and areas in which risk management needs to be reinforced are identified.

(2) The name of method used for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" prescribed in the Capital Adequacy Ratio Notice with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, shares and other exposure in banking account

Japan Post Bank, which is a company engaged in the banking business that belongs to the holding company's group as prescribed in the consolidated Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the bank based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources.

10. Interest rate risk in the banking account

(1) Summary of risk management policy and procedures

Interest rate risk is the risk of incurring a loss due to changes in interest rates and the risk of a decline in earnings or loss resulting from changes in interest rates when there is an interest rate or maturity mismatch between assets and liabilities.

At Japan Post Bank, market investments (Japanese government bonds) account for the majority of assets and *TEIGAKU* deposits account for the majority of liabilities. The Bank has a market risk management system that reflects the characteristics and risk profile of these operations.

When measuring the volume of market risk, Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources. In addition, Japan Post Bank performs stress tests to be prepared for extreme market volatility that exceeds the range that can be statistically foreseen.

To provide a system of checks and balances for market risk management, Japan Post Bank has established the Risk Management Department, which is positioned as a middle office unit that is independent of front office and back office units.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions concerning matters involving the establishment and operation of the market risk management system and the execution of market risk management. For reaching proper decisions quickly, daily reports are submitted to senior management concerning the volume of market risk (VaR), compliance with limits for market risk exposure and loss limits for market risk and other items. In addition, Japan Post Bank analyzes risk on a regular basis by using back testing and stress testing and reports the results of these tests to the Executive Committee and other organizational units. These activities are aimed at consistently generating earnings while properly controlling market risk.

(2) Summary of method for calculating banking account interest rate risk for internal management

Japan Post Bank uses the historical simulation method for the internal model used to measure the volume of market risk (VaR). The Bank uses a one-tailed confidence level of 99%, a holding period of 240 business days (one year) and an observation period of 1,200 business days (five years).

For liquid deposits, Japan Post Bank uses as core deposits the smallest of (a) the smallest balance over the past five years , (b) the current balance (on the record date) less the maximum annual outflow over the past five years, and (c) 50% of the current balance (on the record date). The Bank assumes that the maximum maturity is five years (average of about 2.5 years). For time deposits, the Bank performs measurements by using estimated future cash flows based on a model.

2. Quantitative Disclosure

1. Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall

Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall among companies qualifying for deduction from capital in accordance with Article 8, Paragraph 1-2, Items (i) to (iii) and Article 20, Paragraph 1-2, Items (i) to (iii) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice

None

2. Capital structure

Consolidated capital ratio (domestic standard)

(Millions of yen)

Item		March 31, 2010	March 31, 2011
Core capital (Tier 1)	Capital stock	3,500,000	3,500,000
	Of which non-accumulating permanent preferred stock	—	—
	Deposit for subscription to shares	—	—
	Capital surplus	4,503,856	4,503,856
	Retained earnings	1,032,802	1,340,286
	Treasury stock (deduction)	—	—
	Deposit for subscription to treasury stock	—	—
	Amount scheduled for disbursement (deduction)	(36,346)	(38,404)
	Net unrealized losses on available-for-sale securities (deduction)	—	—
	Foreign currency translation adjustments	—	—
	Stock acquisition rights	—	—
	Minority interests in consolidated subsidiaries	1,104	1,224
	Preferred securities issued by foreign Special Purpose Companies (SPCs)	—	—
	Trade rights equivalents (deduction)	—	—
	Goodwill equivalents (deduction)	(17)	(13)
	Intangible fixed assets equivalents recognized as a result of merger (deduction)	—	—
	Amount equivalent to increase in shareholders' equity resulting from securitization transactions (deduction)	—	—
	Deduction for deferred tax assets (deduction)	—	—
	Total core capital (Tier I) (A)	9,001,398	9,306,948
	Equity securities, etc., with probability of being redeemed (carrying covenant regarding step-up interest rate) (Note 3)	—	—
Supplementary capital (Tier 2)	Amount equivalent to 45% of the difference between reappraised land value and book value immediately before revaluation	—	—
	Allowance for doubtful accounts (general reserve)	1,829	3,788
	Capital raised through debt financing	—	—
	Total supplementary capital, Tier II capital (B)	1,829	3,788
Sub-supplementary capital (Tier 3)	Short-term subordinated debt	—	—
	Total sub-supplementary capital, Tier III capital (C)	—	—
Deduction item	Total of deduction items (D) (Note 4)	1,000,169	1,000,169
(Total) qualifying capital	(Total) qualifying capital (A+B+C-D) (E)	8,003,059	8,310,567
(Total) risk-adjusted assets	Assets (on-balance-sheet items)	7,458,110	9,552,867
	Off-balance-sheet transactions, etc.	20,987	197,625
	Amount of market risk equivalent, divided by 8%	—	—
	Amount of operational risk equivalent, divided by 8%	3,990,922	3,805,647
	(Total) risk-adjusted assets (F)	11,470,020	13,556,140
Consolidated capital ratio (domestic standard) (E/F) × 100 (%)		69.77%	61.30%
Tier 1 ratio (A/F) × 100 (%)		78.47%	68.65%

Note 1: Consolidated capital ratio (domestic standard) is calculated in line with the provisions of Article 52-25 of the Banking Act and on the basis of calculation formulae prescribed under the criteria to be used by a Bank Holding Company for deciding whether or not the adequacy of equity capital of the Bank Holding Company and its Subsidiary Companies is appropriate in light of the circumstances such as the assets owned by that Bank Holding Company and its Subsidiaries (Financial Services Agency Notification No. 20 of 2006). The data is calculated on a consolidated basis and according to the domestic standard. It has also applied "Exceptional notification of Capital Ratio" (Financial Services Agency (FSA) Notification No. 79 of 2008).

Note 2: In accordance with Article 15, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Note 3: Step-up callable equity securities, etc. (carrying covenant regarding step-up interest rate for redemption), under Article 17, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Note 4: Calculated based on Article 20 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice and includes capital investments in Japan Post Insurance Co., Ltd. and other companies.

3. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

(Millions of yen)

	Item	March 31, 2010	March 31, 2011
1	Cash	—	—
2	Japanese government and the Bank of Japan	—	—
3	Foreign national governments and central banks	803	2,187
4	Bank for International Settlements, etc.	—	—
5	Japanese local governments and their agencies	—	—
6	Foreign public-sector entities other than national governments	2,353	3,264
7	International development banks	—	—
8	Japan Finance Organization for Municipalities	1,129	1,877
9	Japanese national government-affiliated agencies	18,547	18,617
10	Three regional public corporations under Japanese local governments	0	0
11	Financial institutions and type 1 financial instruments business operators under the Financial instruments and Exchange Act of Japan	34,211	48,132
12	Corporate	85,615	124,813
13	Small and medium-sized enterprises and individuals	8	7
14	Residential housing mortgages	—	—
15	Project finance (acquisition of real estate)	—	2,263
16	Past due (three months or more)	68	106
17	Outstanding drafts	—	—
18	Guaranteed by Credit Guarantee Association	—	—
19	Guaranteed by Industrial Revitalization Corporation of Japan	—	—
20	Investments in capital and others	38,458	65,263
21	Other than above	115,210	113,889
22	Securitization (originator only)	—	—
23	Securitization (excluding originator)	1,917	1,692
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	—	—
	Total	298,324	382,114

Note: Required capital is the amount of credit risk assets × 4%.

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

	Item	March 31, 2010	March 31, 2011
1	Commitment lines that can be cancelled automatically or unconditionally at any time	—	—
2	Commitment lines with original contracts of one year or less	4	18
3	Short-term trade contingent liabilities	—	—
4	Contingent liabilities arising from specific transactions	—	—
	(principal reimbursement trust deeds with restructuring)	—	—
5	NIF or RUF	—	—
6	Commitment lines with an original duration of one year or longer	54	54
7	Contingent liabilities arising from directly substituted credit	—	4,358
	(of which secured with loan guarantees)	—	2,440
	(of which secured with securities)	—	—
	(of which secured with drafts)	—	—
	(of which principal reimbursement trust deeds without restructuring)	—	—
	(of which secured with credit derivative protection)	—	1,918
8	Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—	—
	Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	—	—
	Deduction	—	—
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	—	—
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	63	1,468
11	Derivative transactions and transactions with long-term settlements transactions	717	2,004
	Current exposure method	717	2,004
	Derivative transactions	717	2,004
	Foreign exchange-related transactions	387	1,241
	Interest rate-related transactions	319	761
	Gold-related transactions	—	—
	Equity security-related transactions	—	—
	Precious metal-related transactions (excluding gold)	—	—
	Other commodity-related transactions	—	—
	Credit derivative transactions (counterparty risk)	11	0
	Write-off of credit equivalent amount under close-out netting agreement (deduction)	—	—
	Long-term settlements transactions	—	0
12	Outstanding transaction	—	—
13	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	—	—
14	Off-balance-sheet securitization exposure other than the above	—	—
	Total	839	7,905

Note: Required capital is the amount of credit risk assets × 4%.

(3) Amount of required capital for operational risk

(Millions of yen)

Item	March 31, 2010	March 31, 2011
Basic indicator approach	159,636	152,225
Total	159,636	152,225

Note: Required capital is the amount of operational risk equivalent ÷ 8% × 4%.

(4) Consolidated capital adequacy ratio, consolidated Tier I capital ratio, total amount of consolidated required capital

(Millions of yen)

Item	March 31, 2010	March 31, 2011
Consolidated capital adequacy ratio	69.77%	61.30%
Consolidated Tier I capital ratio	78.47%	68.65%
Total amount of consolidated required capital	458,800	542,245
Credit risk-adjusted assets × 4%	299,163	390,019
Assets (on-balance-sheet items) × 4%	298,324	382,114
Off-balance-sheet transactions, etc. × 4%	839	7,905
Amount of operational risk equivalent ÷ 8% × 4%	159,636	152,225

4. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

Counterparts		March 31, 2010				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	9,353,798	162,666,816	—	22,387	172,043,002
	Financial institutions	73,859,425	6,926,143	71,793	84,256	80,941,618
	Corporations, etc.	505,905	6,504,604	—	296,233	7,306,743
	Small and medium-sized enterprises and individuals	—	—	—	375	375
	Project finance (acquisition of real estate)	—	—	—	—	—
	Others (excluding the above)	3,268,520	752,417	300	4,044,173	8,065,412
	Domestic total	86,987,650	176,849,981	72,093	4,447,426	268,357,153
Overseas total		—	—	—	—	—
Total		86,987,650	176,849,981	72,093	4,447,426	268,357,153

Counterparts		March 31, 2011				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	7,492,518	155,883,664	—	26,360	163,402,544
	Financial institutions	61,637,394	7,809,678	167,048	37,622	69,651,744
	Corporations, etc.	787,694	7,274,958	—	270,396	8,333,050
	Small and medium-sized enterprises and individuals	—	—	—	360	360
	Project finance (acquisition of real estate)	—	—	—	56,582	56,582
	Others (excluding the above)	4,228,007	1,132,763	9,834	5,746,059	11,116,663
	Domestic total	74,145,615	172,101,065	176,882	6,137,382	252,560,946
Overseas total		—	—	—	—	—
Total		74,145,615	172,101,065	176,882	6,137,382	252,560,946

Note 1: All subsidiaries other than Japan Post Bank Co., Ltd. do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.
Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include interest rate swaps and forward foreign exchange contracts.
Note 6: "Sovereigns" includes central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type 1 financial instruments business operators.
Note 8: "Corporations, etc." include Foreign public-sector entities other than national governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations.
Note 9: In calculating credit risk, credit risk related to exposure of certain subsidiaries which are unlikely to have any significant effect in the context of the overall exposure is included in "corporations, etc." and "others" under "others (excluding the above)."
"Others" under "others (excluding the above)" includes fixed assets in the amount of ¥2,816.9 billion at the end of March 2011 (¥2,842.9 billion at the end of March 2010).

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	March 31, 2010				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	74,147,590	34,478,583	595	393,779	109,020,549
Over 1 year to 3 years	348,974	52,205,638	5,613	—	52,560,226
Over 3 years to 5 years	532,830	34,003,203	19,078	20	34,555,132
Over 5 years to 7 years	468,090	27,719,473	8,105	—	28,195,669
Over 7 years to 10 years	2,325,839	24,274,627	38,496	3,478	26,642,441
Over 10 years	2,919,154	4,168,454	205	—	7,087,814
No due date or perpetual	6,245,170	—	—	4,050,148	10,295,319
Total	86,987,650	176,849,981	72,093	4,447,426	268,357,153

Remaining period	March 31, 2011				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	59,976,955	38,105,717	4,331	301,835	98,388,841
Over 1 year to 3 years	614,928	44,611,846	36,561	6,522	45,269,859
Over 3 years to 5 years	534,163	33,739,315	42,526	4,461	34,320,466
Over 5 years to 7 years	1,304,009	26,651,151	32,519	915	27,988,595
Over 7 years to 10 years	1,371,836	24,012,657	60,808	—	25,445,302
Over 10 years	2,726,032	4,980,375	135	—	7,706,544
No due date or perpetual	7,617,688	—	—	5,823,647	13,441,335
Total	74,145,615	172,101,065	176,882	6,137,382	252,560,946

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 2: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 3: "Derivatives" include interest rate swaps and forward foreign exchange contracts.
Note 4: "Others" under "No due date or perpetual" includes fixed assets in the amount of ¥2,816.9 billion at the end of March 2011 (¥2,842.9 billion at the end of March 2010).

(3) Outstanding period-end exposure to claims due three months or more by region, industry and customer

(Millions of yen)

Counterparts		March 31, 2010					March 31, 2011				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	**Sovereigns**	—	—	—	—	—	—	—	—	—	—
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporations, etc.	—	—	—	0	0	—	—	—	4	4
	Small and medium-sized enterprises and individuals	—	—	—	96	96	—	—	—	127	127
	Project finance (acquisition of real estate)	—	—	—	—	—	—	—	—	—	—
	Others (excluding the above)	—	—	—	2,915	2,915	—	—	—	4,666	4,666
	Domestic total	—	—	—	3,012	3,012	—	—	—	4,798	4,798
Overseas total		—	—	—	—	—	—	—	—	—	—
Total		—	—	—	3,012	3,012	—	—	—	4,798	4,798

Note 1: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 2: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 3: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 4: "Derivatives" include interest rate swaps and forward foreign exchange contracts.
Note 5: "Sovereigns" includes central governments, central banks, local governments, etc.
Note 6: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type 1 financial instruments business operators.
Note 7: "Corporations, etc." include Foreign public-sector entities other than national governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations.
Note 8: In calculating credit risk, credit risk related to exposures of certain subsidiaries which are unlikely to have any significant effect in the context of the overall exposure is included in "corporations, etc." and "others" under "others (excluding the above)."

(4) Year-end balances and changes during the period of allowance for doubtful accounts (general reserve), allowance for doubtful accounts (specific reserve) and allowance for specific doubtful accounts (overseas claims reserve)

Year-end balance (Millions of yen)

Allowance categories	March 31, 2010	March 31, 2011
Allowance for doubtful accounts (general reserve)	178	229
Allowance for doubtful accounts (specific reserve)	—	—
Allowance for doubtful accounts (overseas claims reserve)	—	—

Change during the period (Millions of yen)

Allowance categories	2010 (Year ended March 31, 2010)	2011 (Year ended March 31, 2011)
Allowance for doubtful accounts (general reserve)	66	51
Allowance for doubtful accounts (specific reserve)	—	—
Allowance for doubtful accounts (overseas claims reserve)	—	—

Note 1: Allowance for doubtful accounts represents an allowance for possible losses on loans only.
Note 2: Allowance for doubtful accounts (general reserve) is not classified by region, industry and customer.

(5) The amount of write-off of loans by industry and customer
There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	March 31, 2010		March 31, 2011	
	Rated	Not rated	Rated	Not rated
0%	172,849,006	77,175,810	165,870,240	63,536,421
10%	—	5,012,935	—	5,324,290
20%	7,097,899	40	9,335,122	38
35%	—	—	—	—
50%	1,420,591	2,825	2,366,115	4,529
75%	—	279	—	245
100%	589,145	4,208,415	1,314,539	4,809,145
150%	15	187	—	257
350%	—	—	—	—
Other	—	—	—	—
Capital deductions	—	—	—	—
Total	181,956,658	86,400,494	178,886,018	73,674,928

Note 1: Ratings include only those rated by eligible rating agencies.
Note 2: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Company records exposure amounts in weighted categories after the application of credit risk mitigation techniques.

5. Credit risk mitigation methodology

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	March 31, 2010		March 31, 2011	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	69,565,368	90.66%	57,538,460	88.74%
Guarantees	7,163,308	9.33%	7,300,287	11.25%
Total	76,728,677	100.00%	64,838,748	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and marketable securities as qualified financial collateral.
Note 2: Principal guarantors are national governments, etc. to which lower risks weighting than the guaranteed obligations are applied.
Note 3: Exposure amount included in funds such as investment trusts are not included herein.

6. Derivative transactions and transactions with long-term settlements

Derivative transactions and long-term settlements

(Millions of yen)

Item	March 31, 2010			March 31, 2011		
	Aggregate sum of amounts of gross reconstruction costs	Aggregate sum of gross add-on amounts	Net credit equivalents	Aggregate sum of amounts of gross reconstruction costs	Aggregate sum of gross add-on amounts	Net credit equivalents
Interest rate related transactions						
Interest rate swaps	12,337	22,062	34,399	21,885	41,539	63,425
Currency-related transactions						
Currency swap	—	5,785	5,785	4,661	35,242	39,904
Forward foreign exchange contracts	5,200	26,709	31,909	38,193	35,360	73,553
Long-term settlements transactions	—	—	—	18	—	18
Total	17,537	54,556	72,093	64,758	112,142	176,900

Note 1: Net credit equivalent are calculated by the "current exposure method."
Note 2: There were no risks mitigated by collateral and credit derivatives.
Note 3: Limited to transactions on which gross reconstruction costs are not less than zero.
Note 4: In accordance with Article 57, Paragraph 1 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, derivatives do not include foreign exchange related transactions with original contract periods of five business days or less.
Note 5: Long-term settlement period transactions are those resulting from receipt/delivery of securities with transaction settlement periods of five business days or longer.
Note 6: Derivative transactions and transactions with long-term settlements included in funds such as investment trusts are not included herein.

7. Securitization exposure

Securitization exposure in which the Group invests:

(1) Securitization exposure amounts and breakdown by type of original asset:

(Millions of yen)

Type of original asset	March 31, 2010	March 31, 2011
Mortgage loans	114,061	107,607
Auto loans	16,864	14,179
Leases	41,256	22,191
Consumer loans	11,647	10,928
Corporate loans	91,352	95,102
Others	13,637	11,942
Total	288,819	261,951

(2) Balance by risk weight and amount of required capital

(Millions of yen)

Risk weight	March 31, 2010		March 31, 2011	
	Balance	Required capital	Balance	Required capital
Less than 20%	98,147	392	100,791	403
20%	190,672	1,525	161,160	1,289
50%	—	—	—	—
100%	—	—	—	—
150%	—	—	—	—
Capital deductions	—	—	—	—
Total	288,819	1,917	261,951	1,692

Note 1: Required capital is the amount of credit risk assets × 4%.

Note 2: There were no credit risk assets falling under Article 15 of Supplementary Provisions of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Note 3: There was no securitization exposure deducted from capital under Article 225 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

8. Market risk

Not applicable since the Group, based on Article 16 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, does not enter market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the Notice.

9. Equity exposure in the banking account

(1) Amount carried on the consolidated balance sheet and market value

(Millions of yen)

	March 31, 2010		March 31, 2011	
	Amount carried on the consolidated balance sheet	Fair Value	Amount carried on the consolidated balance sheet	Fair Value
Listed equities exposure	—	—	—	—
Investment and equities exposure not corresponding to listed equities exposure	162,605	—	179,602	—
Total	162,605	—	179,602	—

Note 1: Exposures for which it is deemed extremely difficult to identify market values without market quotations are included and therefore these are not disclosed at market value as well as the method of calculating the market value of financial instruments.

Note 2: Exposure amount included in funds such as investment trusts are not included hereinafter.

(2) Gains and losses accompanying the sale or amortization of investment or stock exposure

(Millions of yen)

	2010 (Year ended March 31, 2010)	2011 (Year ended March 31, 2011)
Gain (Loss)	—	—
Gain on sale	—	—
Loss on sale	—	—
Amortization	—	—

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income

(Millions of yen)

	2010 (Year ended March 31, 2010)	2011 (Year ended March 31, 2011)
Amounts of valuation gains and losses recognized on Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	1,394	1,388

Note: Shares with market quotations are listed.

(4) Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

	2010 (Year ended March 31, 2010)	2011 (Year ended March 31, 2011)
Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	—	—

Note: Shares with market quotations of affiliated companies are listed.

10. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used

11. Interest rate risk in the banking account

Profit/loss related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account

(Billions of yen)

	March 31, 2010	March 31, 2011
Losses in economic value	2,022.7	1,186.0

Note: Interest rate shock range uses 1% and 99% percentiles for interest rate fluctuations based on a holding period of one year and an observation period of five years.

3. Japan Post Holdings Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2011 and 2010 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Company Act of Japan. KPMG AZSA LLC changed its corporate name from KPMG AZSA & Co. effective July 1, 2010 because of a change in its audit corporation classification.

(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets		
Current assets (excluding contribution to society and community funds assets)		
Cash and deposits	¥ 46,066	¥ 89,530
Accounts receivable	162,423	152,401
Securities	8,400	—
Inventories	1,239	956
Short-term loan	110	—
Prepaid expenses	86	104
Others	533	396
Allowance for doubtful accounts	(25)	(18)
Total current assets	218,834	243,371
Non-current assets (excluding contribution to society and community funds assets)		
Tangible fixed assets		
Buildings: net	41,375	39,929
Structures: net	737	753
Machinery: net	681	606
Vehicles: net	79	204
Tools and fixtures: net	31,614	24,547
Land	93,685	93,309
Construction in progress	145	75
Total tangible fixed assets	168,320	159,427
Intangible fixed assets		
Software	25,659	18,815
Others	1,972	1,690
Total intangible fixed assets	27,631	20,506
Investments and other assets		
Stock of related parties	9,194,874	9,194,874
Long-term prepaid expenses	228	84
Claims in bankruptcy	86	107
Others	110	109
Allowance for doubtful accounts	(86)	(107)
Total investments and other assets	9,195,214	9,195,069
Total non-current assets	9,391,165	9,375,002
Contribution to society and community funds assets		
Money held in trust	15,504	30,598
Total contribution to society and community funds assets	15,504	30,598
Total Assets	**¥ 9,625,504**	**¥ 9,648,973**

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Liabilities		
Current liabilities		
Accounts payable	¥ 15,311	¥ 51,800
Income taxes payable	131,610	92,767
Consumption taxes payable	1,528	56
Accrued expenses	3,149	1,150
Reserve for employees' bonuses	2,299	1,637
Reserve for loss on natural disaster	—	1,256
Others	793	817
Total current liabilities	154,693	149,486
Long-term liabilities		
Reserve for employees' retirement benefits	1,165,196	1,070,824
Reserve for directors' retirement benefits	69	90
Reserve for compensation for accidents in the course of duty	26,460	25,412
Deferred tax liabilities	12,176	18,567
Others	1,584	1,786
Total long-term liabilities	1,205,487	1,116,682
Total Liabilities	**¥ 1,360,180**	**¥ 1,266,168**
Net Assets		
Shareholders' equity		
Capital stock	¥ 3,500,000	¥ 3,500,000
Capital surplus		
Capital reserve	4,503,856	4,503,856
Total capital surplus	4,503,856	4,503,856
Retained earnings		
Other retained earnings		
Unappropriated retained earnings	231,633	333,546
Total retained earnings	231,633	333,546
Total shareholders' equity	8,235,489	8,337,402
Contribution to society and community funds	29,701	45,063
Valuation and translation adjustments of contribution to society and community funds	132	337
Total Net Assets	**¥ 8,265,323**	**¥ 8,382,804**
Total Liabilities and Net Assets	**¥ 9,625,504**	**¥ 9,648,973**

2 Statements of Income

(Millions of yen)

Item	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Operating income		
Commissions from subsidiaries and affiliates	¥ 16,490	¥ 14,937
Dividend income from affiliated companies	84,543	99,876
Income from consigned businesses	84,615	76,592
Subsidies related to former savings accounts	73,008	56,264
Income from medical services	23,190	24,091
Income from accommodation services	35,238	34,115
Total operating income	**317,087**	**305,878**
Operating expenses		
Expenses for consigned businesses	69,817	68,419
Expenses for medical services	28,964	29,464
Expenses for accommodation services	38,447	37,362
Administrative expenses	35,517	29,879
Total operating expenses	**172,747**	**165,126**
Net operating income	**144,339**	**140,752**
Other income		
Rents received	3,157	2,823
Others	857	607
Total other income	**4,015**	**3,430**
Other expenses		
Interest expenses	17	20
Lease cost	897	801
Others	378	222
Total other expenses	**1,293**	**1,043**
Income (expenses) from contribution to society and community fund assets		
Income from contribution to society and community fund assets	118	328
Expenses for contribution to society and community fund assets	0	0
Total income from contribution to society and community fund assets	**117**	**327**
Net ordinary income	**147,179**	**143,466**
Extraordinary gains		
Reversal of reserves for indemnification and litigation	246	22
Gain on donated fixed assets	111	13
Other extraordinary gains	7	8
Total extraordinary gains	**366**	**44**
Extraordinary losses		
Losses on disposal of fixed assets	154	82
Impairment losses	2,879	2,185
Loss on natural disaster	—	1,526
Other extraordinary losses	248	77
Total extraordinary losses	**3,281**	**3,871**
Net income before income taxes	**144,263**	**139,638**
Income taxes current	(7,041)	(20,234)
Income taxes deferred	5,915	6,250
Total income taxes	**(1,125)**	**(13,983)**
Net income	**¥ 145,389**	**¥ 153,622**

3 Statements of Changes in Net Assets

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥ 3,500,000	¥ 3,500,000
Balance at the end of the current fiscal year	¥ 3,500,000	¥ 3,500,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥ 4,503,856	¥ 4,503,856
Balance at the end of the current fiscal year	¥ 4,503,856	¥ 4,503,856
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	¥ 128,039	¥ 231,633
Changes during the period		
Cash dividends	(27,256)	(36,346)
Net income for the period	145,389	153,622
Contribution to society and community funds	(14,538)	(15,362)
Total changes during the period	103,594	101,913
Balance at the end of the current fiscal year	¥ 231,633	¥ 333,546
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥ 8,131,895	¥ 8,235,489
Changes during the period		
Cash dividends	(27,256)	(36,346)
Net income for the period	145,389	153,622
Contribution to society and community funds	(14,538)	(15,362)
Total changes during the period	103,594	101,913
Balance at the end of the current fiscal year	¥ 8,235,489	¥ 8,337,402
Contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ 15,162	¥ 29,701
Changes during the period		
Net changes other than shareholders' equity	14,538	15,362
Total changes during the period	14,538	15,362
Balance at the end of the current fiscal year	¥ 29,701	¥ 45,063

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Valuation and translation adjustments of contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ 56	¥ 132
Changes during the period		
Net changes other than shareholders' equity	76	204
Total changes during the period	76	204
Balance at the end of the current fiscal year	¥ 132	¥ 337
Total net assets		
Balance at the end of the previous fiscal year	¥ 8,147,114	¥ 8,265,323
Changes during the period		
Cash dividends	(27,256)	(36,346)
Net income for the period	145,389	153,622
Contribution to society and community funds	(14,538)	(15,362)
Net changes other than shareholders' equity	14,615	15,567
Total changes during the period	118,209	117,480
Balance at the end of the current fiscal year	¥ 8,265,323	¥ 8,382,804

4 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for securities and money held in trust

(1) Shares of subsidiaries and shares of affiliates are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.

(2) Securities managed as assets of money held in trust are valued at amortized cost by a method similar to the one stated in (1).

Valuation and translation adjustments of contribution to society and community funds assets are listed under "Valuation and translation adjustments of contribution to society and community funds" in net assets as prescribed by the provisions of Article 12, Paragraph 4 of the Japan Post Holdings Co., Ltd. Law.

2. Valuation criteria and methods for inventories

Inventories are stated at cost using the moving-average method (writing down the book value of inventories based on decreased profitability).

3. Depreciation/amortization method for non-current assets

(1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is computed by the declining balance method. (However, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method.)

Useful lives for main depreciable items are as follows:

Buildings: 2-50 years

Others: 2-60 years

(2) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method.

The useful lives are determined in accordance with the Corporation Tax Law.

The software used in-house is amortized over the prescribed useful lives (mainly 5 years).

(3) Leased assets

Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

4. Criteria for allowances and reserves

(1) Allowance for doubtful accounts

To reserve for losses on doubtful accounts, general allowances is provided using a rate determined by past bad debt experience and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability of certain doubtful accounts.

(2) Reserve for employees' bonuses

To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.

(3) Reserve for employees' retirement benefits

1) To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (10 years) within the average remaining service years of the employees when incurred.

2) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for the service period in and before December 1958 of those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

3) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and before December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (5 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(4) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, reserve for directors' retirement benefits is recorded in an actual amount needed at the end of the current fiscal year based on the Company's regulations.

(5) Reserve for compensation for accidents in the course of duty

To provide for the need to pay compensation to employees (or the families of the deceased) for accidents they were involved in during their duty or during commuting, reserve for compensation for accidents in the course of duty is posted as liabilities in the current fiscal year.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (15 years) within the average remaining service years of the employees when incurred.

(6) Reserve for loss on natural disaster

The Company records the estimated amounts to prepare for removal costs and restoration costs for assets damaged by the Great East Japan Earthquake.

5. Principal matters serving as the basis for preparing financial statements

(1) Accounting for consumption taxes

All figures are net of consumption taxes.

(2) Adoption of the consolidated tax payment system

The Company employs the consolidated tax payment system, with Japan Post Holdings Co., Ltd. as the parent company.

(3) Contribution to society and community funds is stipulated in Article 13 of the Japan Post Holdings Co., Ltd. Law.

2. Changes in Significant Accounting Policies

(Application of Accounting Standards for Asset Retirement Obligations)

Effective from the current fiscal year, the Company has applied "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ), Statement No. 18; March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008).

There was no material impact on net operating income and net ordinary income and net income before income taxes as a result of this change.

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Assets pledged as collateral:
   Investment and other assets ¥45 million
   Other assets (government bonds) are deposited in the Legal Affairs Bureau as business security deposits under Building Lots and Buildings Transaction Business Law.
2. Accumulated depreciation of tangible fixed assets: ¥50,088 million
3. Assets in affiliated companies
   Accounts receivable ¥148,330 million

2. Notes to Statements of Income

1. The following shows operating transactions and other transactions with affiliates.
   Operating income
   Income from consigned businesses ¥76,318 million
   Other income
   Rents received ¥2,761 million
2. Loss on natural disaster is the loss related to damage incurred at post offices and others in each region caused by the Great East Japan Earthquake on March 11, 2011. This amount is computed using a best estimate based on currently available information. The principal items are ¥120 million in loss in damage to assets, ¥247 million in asset removal costs, and ¥1,007 million in asset restoration and other costs.
   Among loss on natural disaster, reserve for loss on natural disaster is ¥1,256 million.

3. Notes to Retirement Benefits

1. Retirement benefits
(1) Summary of retirement benefits
Japan Post Holdings has a lump-sum severance payment plan based on an in-house savings system in accordance with the Company's regulation on retirement benefits in addition to the mutual aid pension program in accordance with the Law Concerning the Mutual Aid Association of National Public Workers.

(2) Information about retirement benefit obligation
(Millions of yen)

2011 (As of March 31, 2011)	
Retirement benefit obligation	(33,613)
Unfunded pension liabilities	(33,613)
Unrecognized actuarial differences	(2,054)
Reserve for employees' retirement benefits	(35,667)

(3) Information about retirement benefit expenses
(Millions of yen)

2011 (From April 1, 2010 to March 31, 2011)	
Service cost	1,948
Interest cost	562
Amortized actuarial differences	(39)
Retirement benefit expenses	2,471

(4) Assumptions for the calculation of retirement benefit obligation

2011 (As of March 31, 2011)	
Recognition of projected pension liabilities:	Straight-line method over the determined period
Discount rate:	1.6%
Recognition period of actuarial differences:	10 years

2. Share of public service pension
(1) Retirement benefit obligation related to share of public service pension
(Millions of yen)

2011 (As of March 31, 2011)	
Retirement benefit obligation related to share of public service pension	(990,845)
Unrecognized actuarial differences	(41,725)
Reserve for employees' retirement benefits related to share of public service pension	(1,032,570)

(2) Retirement benefit expenses related to share of public service pension
(Millions of yen)

2011 (From April 1, 2010 to March 31, 2011)	
Interest cost	18,427
Amortized actuarial difference	(4,415)
Retirement benefit expenses related to share of public service pension	14,011

(3) Assumptions for the calculation of public service pension

2011 (As of March 31, 2011)	
Discount rate:	1.7%
Recognition period of actuarial differences:	10 years

3. Share of another public service pension
(1) Retirement benefit obligation related to share of another public service pension
(Millions of yen)

2011 (As of March 31, 2011)	
Retirement benefit obligation related to share of another public service pension	(2,466)
Unrecognized actuarial differences	(119)
Reserve for employees' retirement benefits related to share of another public service pension	(2,586)

(2) Retirement benefit expenses related to share of another public service pension
(Millions of yen)

2011 (From April 1, 2010 to March 31, 2011)	
Interest cost	32
Amortized prior service cost	(36)
Retirement benefit expenses related to share of another public service pension	(4)

(3) Assumptions for the calculation of another public service pension

2011 (As of March 31, 2011)	
Discount rate:	1.1%
Recognition period of actuarial differences:	5 years

4. Subsequent Events

None

4. Japan Post Network Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2011 and 2010 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Company Act of Japan. KPMG AZSA LLC changed its corporate name from KPMG AZSA & Co. effective July 1, 2010 because of a change in its audit corporation classification.

(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets		
Current assets		
Cash and deposits	¥ 1,915,747	¥ 2,020,815
Accounts receivable–trade	111,600	111,637
Securities	88,300	—
Real estate for sale in progress	1,581	1,583
Merchandise	25	33
Supplies	1,770	1,101
Prepaid expenses	497	552
Accounts receivable	5,215	6,525
Insurance business consignment receivable	49,434	12,836
Others	26,079	27,432
Allowance for doubtful accounts	(16)	(12)
Total current assets	2,200,235	2,182,505
Non-current assets		
Tangible fixed assets		
Buildings: net	346,953	329,728
Structures: net	14,948	13,753
Machinery: net	212	194
Automobiles and other vehicles: net	1,324	1,308
Tools and fixtures: net	22,590	21,475
Land	613,862	611,369
Construction in progress	12,428	46,033
Total tangible fixed assets	1,012,320	1,023,862
Intangible fixed assets		
Leaseholds	1,668	1,670
Air rights	14,077	14,077
Telephone rights	159	159
Software	5,190	7,247
Others	1,790	2,477
Total intangible fixed assets	22,885	25,633
Investments and other assets		
Investment securities	14,512	14,573
Stock of related parties	200	200
Others	3,503	4,672
Allowance for doubtful accounts	(1,339)	(1,622)
Total investments and other assets	16,876	17,822
Total non-current assets	1,052,082	1,067,318
Total Assets	**¥ 3,252,318**	**¥ 3,249,823**

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Liabilities		
Current liabilities		
Accounts payable–trade	¥ 5,404	¥ 5,590
Long–term debt due within a year	71	—
Accounts payable	124,899	103,536
Postal service business consignment payable	13,450	12,108
Banking business consignment payable	24,387	44,933
Accrued expenses	21,444	21,261
Income taxes payable	6,472	5,628
Consumption taxes payable	6,228	6,685
Deposits received	4,180	4,233
Fund deposits for post offices	1,540,000	1,520,000
Reserve for employees' bonuses	55,492	39,529
Reserve for loss on rebuilding of branches	237	68
Reserve for loss on natural disaster	—	1,239
Asset retirement obligations	—	96
Others	1,464	3,358
Total current liabilities	1,803,732	1,768,269
Long–term liabilities		
Reserve for employees' retirement benefits	1,162,280	1,169,968
Reserve for directors' retirement benefits	83	112
Reserve for loss on rebuilding of branches	2,533	2,602
Negative goodwill	497	298
Asset retirement obligations	—	2,821
Others	16,068	16,212
Total long-term liabilities	1,181,463	1,192,014
Total Liabilities	**¥ 2,985,196**	**¥ 2,960,284**
Net Assets		
Shareholders' equity		
Capital stock	¥ 100,000	¥ 100,000
Capital surplus		
Capital reserve	100,000	100,000
Total capital surplus	100,000	100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings	67,122	89,538
Total retained earnings	67,122	89,538
Total shareholders' equity	267,122	289,538
Total Net Assets	**¥ 267,122**	**¥ 289,538**
Total Liabilities and Net Assets	**¥ 3,252,318**	**¥ 3,249,823**

2 Statements of Income

(Millions of yen)

Item	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Operating income		
Commissions for postal service business consignment	¥ 209,307	¥ 203,990
Commissions for banking business consignment	632,587	631,924
Commissions for insurance business consignment	405,214	402,438
Other fees and commissions	16,865	17,996
Total operating income	**1,263,975**	**1,256,349**
Operating expenses	1,094,988	1,086,301
Gross operating income	**168,986**	**170,048**
Sales, general and administrative cost	116,813	120,499
Net operating income	**52,173**	**49,548**
Other income		
Rents received	24,863	23,967
Others	4,934	4,628
Total other income	**29,798**	**28,596**
Other expenses		
Lease cost	16,910	17,625
Others	2,621	2,259
Total other expenses	**19,532**	**19,884**
Net ordinary income	**62,439**	**58,260**
Extraordinary gains		
Gain on sales of fixed assets	139	13
Compensation for transfer	909	1,256
Others	80	10
Total extraordinary gains	**1,129**	**1,280**
Extraordinary losses		
Losses on sales of fixed assets	3	3
Losses on disposal of fixed assets	867	836
Impairment losses	1,722	935
Provisions for losses on rebuilding of branches	234	68
Effect of adoption of accounting standard for asset retirement obligations	—	1,783
Loss on natural disaster	—	2,364
Others	4	48
Total extraordinary losses	**2,833**	**6,039**
Net income before income taxes	**60,735**	**53,501**
Income taxes current	27,754	22,839
Net income	**¥ 32,981**	**¥ 30,661**

3 Statements of Changes in Net Assets

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	¥ 44,352	¥ 67,122
Changes during the period		
Cash dividends	(10,211)	(8,245)
Net income	32,981	30,661
Total changes during the period	22,770	22,416
Balance at the end of the current fiscal year	¥ 67,122	¥ 89,538
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥ 244,352	¥ 267,122
Changes during the period		
Cash dividends	(10,211)	(8,245)
Net income	32,981	30,661
Total changes during the period	22,770	22,416
Balance at the end of the current fiscal year	¥ 267,122	¥ 289,538

4 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for securities
(1) Held-to-maturity securities
Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method.
(2) Shares of subsidiaries and related parties
Shares of subsidiaries and related parties are stated at cost using the moving-average method.
(3) Available-for-sale securities
Securities without market quotations are stated at cost using the moving average method.

2. Valuation criteria and methods for inventories
(1) Real estate for sale in progress (Real estate under development)
Real estate for sale in progress is recognized at cost based on the specific cost method (writing down the book value of inventories based on decreased profitability).
(2) Merchandise
Merchandise is recognized at cost based on the retail inventory method (writing down the book value of inventories based on decreased profitability).
(3) Other inventories
Other inventories are recognized at cost based on the moving-average method (writing down the book value of inventories based on decreased profitability).

3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed by the declining balance method (However, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method).
Useful lives in general are as follows:
Buildings: 2-50 years
Others: 2-60 years
(2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (5 years).
(3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowance is provided using a rate determined by past bad debt experience and also specific allowance is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year. Prior service cost is to be charged to expenses using the straight-line method over determined years (14 years) within the average remaining service years of the employees when incurred.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.
(4) Reserve for directors' retirement benefits
To provide for the payment of retirement benefits to directors, the Company provides the amount payable at the fiscal year-end in accordance with the Rules on Retirement Benefits to Directors.
(5) Reserve for loss on rebuilding of branches (post offices)
To provide for losses incurred in rebuilding branches (post offices) as part of the real estate development business, the Company records the amount of expected losses as of the end of the fiscal year. Specifically, reserve for loss on rebuilding of branches is recorded based on expected losses at the end of the fiscal year. The losses are mainly composed of those of existing buildings and expected removal.
(6) Reserve for loss on natural disaster
The Company records the estimated amounts to prepare for removal costs and restoration costs for assets damaged by the Great East Japan Earthquake.

5. Other important assumptions for financial statements
(1) Consumption taxes
All figures are net of consumption taxes.
(2) Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.
(3) Amortization of negative goodwill
The business that mediates delivery of *furusato kozutsumi* ("small parcels from hometown"), which used to be operated by the Postal Service Center, a juridical foundation, was transferred to Japan Post Network on October 1, 2007, and negative goodwill was recognized concerning the transfer. The negative goodwill is amortized by the straight-line method (5 years).

2. Change in Significant Accounting Policies

[Application of Accounting Standard for Asset Retirement Obligations]
Effective from the current fiscal year, the Company has applied "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ), Statement No. 18; March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008).
As a result, in the current fiscal year, net operating income and ordinary income decreased ¥249 million, respectively, and net income before income taxes decreased ¥2,032 million.

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets: ¥131,188 million

2. Receivables and payables involving related parties
Accounts receivable and others ¥1,177 million
Accounts payable ¥5,861 million

3. Assets pledged as collateral
The following is pledged as collateral for performing services as the Bank of Japan revenue sub-agents
Investment securities: ¥14,573 million

4. Contingent liabilities
Some of the lease contracts for the precincts of post offices have been taken over from the former Japan Post. Such contracts state that the lesser retains the right to call for compensation if Japan Post Network Co., Ltd. cancels all or part of the lease contracts. The amount of such cancellation compensation is to be calculated based on the remaining portion of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2011 the potential cancellation claims were ¥140,646 million.
Since the calculation method for cancellation claims have not been set, the noted amount is based on a fixed hypothesis.
However, if the buildings are not to be demolished, the compensation does not cover the entire remaining portion of the initial investment.

5. Others
The fund deposits for post offices presented on the balance sheets are those received in advance to prepare for the need to refund deposits and pay insurance benefits in accordance with the consignment agreements with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. The following shows the details of such deposits.
Japan Post Bank Co., Ltd.: ¥1,340,000 million
Japan Post Insurance Co., Ltd.: ¥180,000 million

2. Notes to Statements of Income

1. Operating transactions with related parties

Operating income	¥4,731 million
Operating expenses	¥7,271 million
Sales, general and administrative cost	¥24,605 million
Other income	¥1,874 million
Other expenses	—

2. Loss on natural disaster is the loss related to damage incurred at post offices in each region caused by the Great East Japan Earthquake on March 11, 2011. This amount is computed using a best estimate based on currently available information. The principal items are ¥1,271 million in loss in damage to assets, ¥403 million in asset removal costs, and ¥242 million in asset restoration and other costs.
   Among loss on natural disaster, reserve for loss on natural disaster is ¥1,239 million.

3. Notes to Statements of Changes in Net Assets

1. Information concerning type and number of outstanding shares

(Thousands of shares)

	March 31, 2010	Increase	Decrease	March 31, 2011	Remarks
Outstanding shares					
Common	4,000	—	—	4,000	

2. Appropriation of retained earnings
   Cash dividends (paid) of the current fiscal year

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular shareholders meetings on June 23, 2010	Common	8,245	2,061.33	March 31, 2010	June 23, 2010

4. Notes to Retirement Benefits

1. Summary of retirement benefits
   Japan Post Network has a defined-benefit pension plan, and also provides lump-sum severance payments in accordance with the company's regulations on retirement benefits.

2. Information about retirement benefit obligation

(Millions of yen)

2011 (As of March 31, 2011)	
Retirement benefit obligation	(1,150,132)
Unfunded pension liabilities	(1,150,132)
Unrecognized actuarial differences	(20,574)
Unrecognized prior service cost	738
Net amount on balance sheet	(1,169,968)
Reserve for employees' retirement benefits	(1,169,968)

3. Information about retirement benefit expenses

(Millions of yen)

2011 (From April 1, 2010 to March 31, 2011)	
Service cost	55,133
Interest cost	19,494
Amortization of prior service cost	67
Amortization of actuarial differences	(967)
Retirement benefit expenses	73,728

4. Assumptions for the calculation of retirement benefit obligation

2011 (As of March 31, 2011)	
Recognition method of projected retirement benefit	Straight-line method over the determined period
Discount rate:	1.7%
Recognition period of prior service cost:	14 years
Recognition period of actuarial differences:	14 years

5. Subsequent Events

None

6 Reference

Breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Operating expenses		
Personnel expenses	¥ 883,061	¥ 872,955
(of which amount deferred for reserve for employees' bonuses)	51,690	36,570
(of which retirement benefit expenses)	70,202	69,290
Expenses	211,927	213,345
Charges for facilities	82,545	81,362
Charges for fees and commissions	29,490	28,999
Depreciation expenses	21,939	20,010
Communication charges	14,721	13,852
Facility maintenance expenses	14,183	14,160
Utility expenses	12,008	12,910
Taxes and dues	8,319	8,119
Subcontractor expenses	6,087	7,024
Others	22,630	26,906
Total operating expenses	**¥ 1,094,988**	**¥ 1,086,301**
Sales, general and administrative costs		
Personnel expenses	56,817	59,666
(of which amount deferred for reserve for employees' bonuses)	3,802	2,959
(of which retirement benefit expenses)	4,503	4,437
Expenses	59,995	60,832
Charges for fees and commissions	22,213	21,781
Subcontractor expenses	9,197	8,111
Depreciation expenses	6,850	7,514
Taxes and dues	5,698	5,544
Advertising expenses	5,077	5,422
Others	10,956	12,459
Total sales, general and administrative costs	**¥ 116,813**	**¥ 120,499**

5. Japan Post Service Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2011 and 2010 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Company Act of Japan. KPMG AZSA LLC changed its corporate name from KPMG AZSA & Co. effective July 1, 2010 because of a change in its audit corporation classification. (The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets		
Current assets		
Cash and deposits	¥ 316,337	¥ 188,071
Accounts receivable–trade	135,789	126,321
Securities	120,000	133,000
Merchandise	3,724	2,847
Supplies	2,030	3,492
Prepaid expenses	1,091	1,040
Short-term loan	33,000	—
Accounts receivable	—	40,919
Income taxes receivable	—	1,004
Other current assets	6,752	639
Allowance for doubtful accounts	(41,076)	(1,049)
Total current assets	577,649	496,286
Non-current assets		
Tangible fixed assets		
Automobiles and other vehicles: net	4,718	9,830
Buildings: net	624,953	589,433
Structures: net	13,141	12,341
Machinery: net	22,499	23,558
Tools and fixtures: net	12,669	9,683
Land	634,062	636,545
Leased assets: net	43	3,531
Construction in progress	681	885
Total tangible fixed assets	1,312,770	1,285,809
Intangible fixed assets		
Software	19,808	34,101
Other intangible fixed assets	10,148	3,650
Total intangible fixed assets	29,956	37,752
Investments and other assets		
Stock of related parties	38,499	38,457
Claims in bankruptcy	1,443	2,910
Long-term prepaid expenses	1,932	1,810
Other assets	2,627	3,312
Allowance for doubtful accounts	(1,439)	(2,905)
Total investments and other assets	43,063	43,585
Total non-current assets	1,385,791	1,367,147
Total Assets	**¥ 1,963,440**	**¥ 1,863,433**

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Liabilities		
Current liabilities		
Accounts payable–trade	¥ 51,046	¥ 53,457
Lease obligations	—	1,438
Accounts payable	134,941	139,719
Accrued expenses	12,042	12,173
Income taxes payable	7,522	—
Advance postal fees received	40,559	39,646
Deposits received	372,500	326,905
Reserve for employees' bonuses	53,241	39,620
Reserve for refund for Fumi Cards	—	42
Others	1,299	1,587
Total current liabilities	673,154	614,590
Long-term liabilities		
Lease obligations	—	2,215
Reserve for employees' retirement benefits	1,057,089	1,048,986
Reserve for directors' retirement benefits	83	79
Reserve for refund for Fumi Cards	170	—
Others	5,961	6,015
Total long-term liabilities	1,063,304	1,057,297
Total Liabilities	**¥ 1,736,458**	**¥ 1,671,887**
Net Assets		
Shareholders' equity		
Capital stock	¥ 100,000	¥ 100,000
Capital surplus		
Capital reserve	100,000	100,000
Total capital surplus	100,000	100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings	26,981	(8,453)
Total retained earnings	26,981	(8,453)
Total shareholders' equity	226,981	191,546
Total Net Assets	**¥ 226,981**	**¥ 191,546**
Total Liabilities and Net Assets	**¥ 1,963,440**	**¥ 1,863,433**

2 Statements of Income

(Millions of yen)

Item	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Operating income	¥ 1,813,048	¥ 1,779,870
Operating expenses	1,675,174	1,783,128
Gross operating income (loss)	**137,873**	**(3,258)**
Sales, general and administrative cost	95,093	100,215
Net operating income (loss)	**42,779**	**(103,473)**
Other income		
Rents received	19,915	18,716
Others	2,041	4,623
Total other income	**21,956**	**23,340**
Other expenses		
Lease cost	6,591	6,314
Others	1,147	2,645
Total other expenses	**7,738**	**8,959**
Net ordinary income (loss)	**56,997**	**(89,093)**
Extraordinary gains		
Settlement package	1,264	—
Reversal of allowance for doubtful accounts	—	5,453
Reversal of reserve for refund for Fumi Cards	264	—
Others	86	518
Total extraordinary gains	**1,615**	**5,972**
Extraordinary losses		
Losses on disposal of fixed assets	3,047	3,204
Loss on natural disaster	—	1,252
Amount deferred for allowance for doubtful accounts	40,963	—
Evaluation loss on the shares of related parties	37,570	—
Others	352	820
Total extraordinary losses	**81,935**	**5,277**
Net loss before income taxes	**(23,321)**	**(88,398)**
Income taxes current	24,171	(52,962)
Total income taxes	**24,171**	**(52,962)**
Net loss for the current year	**¥ (47,493)**	**¥ (35,435)**

3 Statements of Changes in Net Assets

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	81,928	26,981
Changes during the period		
Cash dividends	(7,453)	—
Net loss for the current year	(47,493)	(35,435)
Total changes during the period	(54,946)	(35,435)
Balance at the end of the current fiscal year	¥ 26,981	¥ (8,453)
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥ 281,928	¥ 226,981
Changes during the period		
Cash dividends	(7,453)	—
Net loss for the current year	(47,493)	(35,435)
Total changes during the period	(54,946)	(35,435)
Balance at the end of the current fiscal year	¥ 226,981	¥ 191,546

4 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for securities
(1) Shares of subsidiaries and related parties
Shares of subsidiaries and related parties are stated at cost using the moving-average method.
(2) Available-for-sale securities
Securities without market quotations are stated at cost using the moving-average method.

2. Valuation criteria and methods for inventories
Merchandise and supplies are recognized at cost using the moving-average method (carrying amounts on the balance sheet are computed by writing down the book value of inventories based on decreased profitability).

3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed by the declining balance method. (However, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method.)
Useful lives for main depreciable items are as follows:
Vehicles: 2-7 years
Buildings: 2-50 years
Structures: 2-75 years
Machinery: 2-17 years
Tools, apparatus, equipment: 2-20 years
(2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (within 5 years).
(3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowances is provided using a rate determined by past bad debt experience and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for refund for Fumi Cards
To provide reserve for refund for Fumi Cards is recorded in a projected amount for the end of the current fiscal year.
(4) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year.
Actuarial difference is amortized using the straight-line method over certain years (13 years) within the estimated average remaining payment periods for eligible personnel when the difference incurred in the current fiscal year, respectively from the fiscal year after the difference is incurred.
(5) Reserve for directors' retirement benefits
To provide for directors' retirement benefits, reserve for directors' retirement benefits is recorded in the amount payable at the fiscal year-end in accordance with the bylaws of the Company.

5. Other important assumptions for financial statements
(1) Consumption taxes
Accounting for consumption tax and regional consumptions tax is net of consumption tax.
(2) Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

2. Change in presentation

1. Balance sheet presentation
(1) Because of its increased importance, "Accounts receivable" which was included in "others" in the previous fiscal year, is listed as a separate category in the current fiscal year. "Accounts receivable" in the previous fiscal year was ¥4,811 million.
(2) Because of increased importance, "Lease obligations" in Current liabilities and "Lease obligations" in Long-term liabilities, which in the previous fiscal year were included in "Others" within Current liabilities and in "Others" within "Long-term liabilities," respectively, are listed as separate categories in the current fiscal year. "Lease obligations" included in "Others" within Current liabilities in the previous fiscal year was ¥6 million. "Lease obligations" listed in "Others" within Long-term liabilities in the previous fiscal year was ¥36 million.

2. Statements of income presentation
Because of decreased importance, "reversal of reserve for refund for Fumi Cards," which was listed as an item in "Extraordinary gains" in the previous fiscal year, is included in "Others" within "Extraordinary gains" in the current fiscal year. "Reversal of reserve for refund for Fumi Cards" included in "Others" within extraordinary gains" in the current fiscal year is ¥54 million.

3. Changes in Significant Accounting Policies

1. Application of Accounting Standards for Asset Retirement Obligations
Effective from the current fiscal year, the Company has applied "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ), Statement No. 18; March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008).
As a result, in the current fiscal year, net operating loss and net ordinary loss increased by ¥5 million, and net loss before income taxes increased by ¥88 million.

2. Application of the Accounting Standards for Business Combinations
Effective from the current fiscal year, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21; December 26, 2008), and "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"(ASBJ Guidance No. 10; December 26, 2008).

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets: ¥222,304 million

2. Receivables and payables involving related parties

Short-term receivables:	¥35,030 million
Short-term payables:	¥12,958 million

3. Assets pledged as collateral
As prescribed by laws concerning regulations on prepaid vouchers, other assets within investments and other assets includes assets pledged as collateral of ¥1,753 million.

4. Monetary assets as collateral
Japan Post Service holds securities as collateral pledged by users of its pay-later postal services. Such securities are valued at ¥3 million as of March 31 of the current fiscal year.

2. Notes to Statements of Income

1. The following shows operating transactions and other transactions with affiliates.

Operating transactions (received):	¥9,448 million
Operating transactions (paid):	¥146,693 million
Transactions other than operational (received):	¥779 million

2. Details of loss on disposal of fixed assets

Buildings:	¥523 million
Structures:	¥62 million
Machinery:	¥2,270 million
Tools and fixtures:	¥74 million
Land:	¥3 million
Software in progress:	¥269 million
Total:	¥3,204 million

3. Loss on natural disaster is the loss related to damage incurred at branches and delivery/collection centers in each region caused by the Great East Japan Earthquake on March 11, 2011. This amount is computed using a best estimate based on currently available information. The major items of the losses are those from damage to mainly tangible assets amounting to ¥260 million, which primarily comprise removal costs of tangible assets totaling ¥104 million and restoration costs of tangible assets totaling ¥424 million.

3. Notes to Statements of Changes in Net Assets

1. Information concerning types and total number of outstanding shares

(Thousands of shares)

		March 31, 2010	Increase	Decrease	March 31, 2011	Remarks
Type of shares						
	Common Shares	4,000	—	—	4,000	

2. Information concerning dividends
   Cash dividends (paid) applicable to the current fiscal year
   None

4. Notes to Retirement Benefits

1. Summary of retirement benefits
   Japan Post Service has a lump-sum severance payment plan based on an in-house saving system in accordance with the company's regulations on retirement benefits.

2. Information about retirement benefit obligation

(Millions of yen)

	2011 (As of March 31, 2011)
Retirement benefit obligation	(998,931)
Unrecognized actuarial differences	(50,054)
Reserve for employees' retirement benefits	(1,048,986)

3. Information about retirement benefit expenses

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)
Service cost	48,056
Interest cost	16,564
Amortization of actuarial differences	(1,937)
Retirement benefit expenses	62,683

4. Assumptions for the calculation of retirement benefit obligation

	2011 (As of March 31, 2011)
Recognition method of projected retirement benefit	Straight-line method over the determined period
Discount rate	1.6%
Recognition period of actuarial differences:	13 years

5. Subsequent Events

None

6 Reference

Breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Operating expenses		
Personnel expenses	¥ 1,098,671	¥ 1,127,509
(of which amount deferred for reserve for employees' bonuses)	51,004	38,199
(of which retirement benefit expenses)	61,674	59,950
Expenses	576,503	655,619
Expenses for fuels	9,119	10,366
Fleet maintenance expenses	9,279	9,210
Purchasing expenses for stamps, postcards and others	12,353	13,017
Depreciation expenses	53,800	55,611
Charges for facilities	17,978	20,385
Taxes and dues	10,205	10,809
Collection, delivery and transport outsourcing expenses	171,057	226,953
Commissions for Japan Post Network Co., Ltd.	209,348	203,535
Handling commission fees	25,006	23,843
Others	58,352	81,885
Total operating expenses	**¥ 1,675,174**	**¥ 1,783,128**

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Sales, general and administrative costs		
Personnel expenses	32,546	35,219
(of which amount deferred for reserve for employees' bonuses)	1,871	1,420
(of which retirement benefit expenses)	2,163	2,733
Expenses	62,547	64,995
Depreciation expenses	7,828	11,526
Advertisement fees	6,617	7,411
Taxes and dues	5,166	3,324
Charges for fees and commissions	23,319	20,636
Others	19,615	22,097
Total sales, general and administrative costs	**¥ 95,093**	**¥ 100,215**

6. Japan Post Bank Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2011 and 2010 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Company Act of Japan. KPMG AZSA LLC changed its corporate name from KPMG AZSA & Co. effective July 1, 2010 because of a change in its audit corporation classification.
(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets:		
Cash and due from banks (Notes 18 and 21):	¥ 4,440,804	¥ 5,050,921
Cash	117,546	158,149
Due from banks	4,323,257	4,892,771
Call loans (Note 21)	261,649	429,663
Receivables under securities borrowing transactions (Note 21)	2,495,622	4,483,396
Monetary claims bought (Note 21)	124,082	133,214
Trading account securities (Notes 21 and 22):	196	282
Trading Japanese government bonds	196	282
Money held in trust (Notes 21 and 22)	1,015,355	1,806,768
Securities (Notes 8, 20, 21, 22 and 23):	178,230,687	175,026,411
Japanese Government Bonds	155,891,563	146,460,963
Japanese local government bonds	5,289,202	5,658,837
Japanese corporate bonds	12,281,230	12,907,752
Other securities	4,768,691	9,998,859
Loans (Notes 21 and 24):	4,022,547	4,238,772
Loans on deeds	3,783,806	4,015,810
Overdrafts	238,741	222,961
Foreign exchanges (Note 3)	5,860	4,735
Other assets (Notes 4, 8 and 21)	3,902,137	1,954,512
Tangible fixed assets (Note 5)	142,032	151,255
Intangible fixed assets (Note 6)	38,931	55,157
Customers' liabilities for acceptances and guarantees (Note 7)	—	110,000
Reserve for possible loan losses (Note 21)	(1,556)	(1,742)
Total assets	¥194,678,352	¥193,443,350

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Liabilities:		
Deposits (Notes 8, 9 and 21)	¥175,797,715	¥174,653,220
Payables under securities lending transactions (Notes 8 and 21)	6,236,017	8,083,860
Borrowed money (Notes 10 and 21)	2,000,000	—
Foreign exchanges (Note 3)	116	178
Other liabilities (Note 11)	1,523,721	1,201,573
Contingent liabilities (Note 12)		
Reserve for employees' bonuses	6,815	4,797
Reserve for employees' retirement benefits (Note 25)	129,015	133,517
Reserve for directors' retirement benefits	194	133
Deferred tax liabilities (Note 26)	145,208	162,434
Acceptances and guarantees (Notes 7 and 8)	—	110,000
Total liabilities	185,838,804	184,349,715
Net assets (Note 17):		
Common stock	3,500,000	3,500,000
Capital surplus	4,296,285	4,296,285
Retained earnings	652,598	894,828
Total shareholder's equity	8,448,884	8,691,114
Net unrealized gains (losses) on available-for-sale securities (Note 22)	382,593	392,251
Deferred gains (losses) on hedges	8,069	10,269
Total valuation and translation adjustments	390,663	402,520
Total net assets	8,839,547	9,093,634
Total liabilities and net assets	¥194,678,352	¥193,443,350

See notes to financial statements.

2 Statements of Income

(Millions of yen)

Item	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Revenues:		
Interest income:	¥2,066,088	¥2,044,121
Interest on loans	47,819	49,471
Interest and dividends on securities	1,920,979	1,972,154
Interest on call loans	82	256
Interest on receivables under securities borrowing transactions	4,338	4,923
Interest on deposits with banks	5,237	1,528
Other interest income	87,630	15,786
Fees and commissions:	108,493	109,694
Fees and commissions on domestic and foreign exchanges	64,690	64,194
Other fees and commissions	43,803	45,500
Other operating income (Note 13)	13,058	24,134
Other income (Note 14)	20,342	27,431
Total revenues	2,207,983	2,205,381
Expenses:		
Interest expenses:	447,718	360,685
Interest on deposits	343,368	305,873
Interest on payables under securities lending transactions	8,357	9,193
Interest on borrowings	86,161	14,018
Interest on interest rate swaps	9,539	31,179
Other interest expenses	290	419
Fees and commissions:	22,331	21,703
Fees and commissions on domestic and foreign exchanges	1,417	1,929
Other fees and commissions	20,914	19,773
Other operating expenses (Note 15)	10,079	79,648
General and administrative expenses	1,221,076	1,209,939
Other expenses (Note 16)	13,328	8,193
Total expenses	1,714,532	1,680,170
Income before income taxes	**493,450**	**525,211**
Income taxes (Note 26):		
Current	198,698	199,790
Deferred	(2,005)	9,091
Total income taxes	196,692	208,881
Net income	**¥ 296,758**	**¥ 316,329**

	2010	2011
Net income per share (Note 30)	¥1,978.38	¥2,108.86

See notes to financial statements.

3 Statements of Changes in Net Assets

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Shareholders' Equity:		
Common stock:		
Balance at beginning of year	¥3,500,000	¥3,500,000
Balance at end of year	3,500,000	3,500,000
Capital surplus:		
Balance at beginning of year	4,296,285	4,296,285
Balance at end of year	4,296,285	4,296,285
Retained earnings:		
Balance at beginning of year	413,140	652,598
Changes during the fiscal year:		
Cash dividends	(57,300)	(74,100)
Net income	296,758	316,329
Total changes during the fiscal year	239,458	242,229
Balance at end of year	652,598	894,828
Total shareholder's equity:		
Balance at beginning of year	8,209,426	8,448,884
Changes during the fiscal year:		
Cash dividends	(57,300)	(74,100)
Net income	296,758	316,329
Total changes during the fiscal year	239,458	242,229
Balance at end of year	8,448,884	8,691,114
Valuation and Translation Adjustments:		
Net unrealized gains (losses) on available-for-sale securities:		
Balance at beginning of year	(16,877)	382,593
Changes during the fiscal year:		
Net changes in items other than shareholder's equity	399,470	9,657
Total changes during the fiscal year	399,470	9,657
Balance at end of year	382,593	392,251
Deferred gains (losses) on hedges:		
Balance at beginning of year	(12,974)	8,069
Changes during the fiscal year:		
Net changes in items other than shareholder's equity	21,044	2,199
Total changes during the fiscal year	21,044	2,199
Balance at end of year	8,069	10,269
Total valuation and translation adjustments:		
Balance at beginning of year	(29,851)	390,663
Changes during the fiscal year:		
Net changes in items other than shareholder's equity	420,515	11,857
Total changes during the fiscal year	420,515	11,857
Balance at end of year	390,663	402,520
Total Net Assets:		
Balance at beginning of year	8,179,574	8,839,547
Changes during the fiscal year:		
Cash dividends	(57,300)	(74,100)
Net income	296,758	316,329
Net changes in items other than shareholder's equity	420,515	11,857
Total changes during the fiscal year	659,973	254,087
Balance at end of year	¥8,839,547	¥9,093,634

See notes to financial statements.

4 Statements of Cash Flows

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Cash flows from operating activities:		
Income before income taxes	¥ 493,450	¥ 525,211
Adjustments for:		
Depreciation and amortization	45,083	34,959
Losses on impairment of fixed assets	432	14
Net change in reserve for possible loan losses	468	186
Net change in reserve for employees' bonuses	273	(2,017)
Net change in reserve for employees' retirement benefits	1,430	4,502
Net change in reserve for directors' retirement benefits	53	(60)
Interest income	(2,066,088)	(2,044,121)
Interest expenses	447,718	360,685
Losses (gains) related to securities	(11,629)	55,256
Losses (gains) on money held in trust—net	(2,377)	(13,750)
Foreign exchange losses (gains)—net	(1,429)	(1,949)
Losses on sales and disposals of fixed assets—net	403	870
Net change in loans	8,521	(217,672)
Net change in deposits	(1,682,125)	(1,144,495)
Proceeds from maturity of deposits (to the fiscal loan fund)	6,700,000	2,000,000
Net change in borrowed money	(6,700,000)	(2,000,000)
Net change in negotiable certificates of deposit	2,220,000	35,000
Net change in call loans	(267,331)	(176,976)
Net change in receivables under securities borrowing transactions	(1,769,836)	(1,987,773)
Net change in payables under securities lending transactions	5,431,246	1,847,843
Net change in foreign exchange assets	4,011	1,125
Net change in foreign exchange liabilities	14	61
Interest received	2,227,583	2,232,745
Interest paid	(384,429)	(431,068)
Other—net	(23,129)	(38,698)
Subtotal	4,672,312	(960,122)
Income taxes paid	(186,967)	(211,355)
Net cash provided by (used in) operating activities	4,485,345	(1,171,477)
Cash flows from investing activities:		
Purchases of securities	(69,782,752)	(48,460,223)
Proceeds from sales of securities	9,695,554	8,245,344
Proceeds from maturity of securities	55,875,426	42,873,958
Investment in money held in trust	(50,000)	(1,110,000)
Proceeds from disposition of money held in trust	526,655	397,641
Purchases of tangible fixed assets	(8,015)	(32,134)
Proceeds from sales of tangible fixed assets	86	90
Purchases of intangible fixed assets	(23,433)	(24,592)
Other—net	(340)	54
Net cash provided by (used in) investing activities	(3,766,818)	1,890,138
Cash flows from financing activities:		
Cash dividends paid	(57,300)	(74,100)
Net cash used in financing activities	(57,300)	(74,100)
Effect of exchange rate changes on cash and cash equivalents	**462**	**555**
Net increase in cash and cash equivalents	**661,688**	**645,117**
Cash and cash equivalents at beginning of year	**2,699,116**	**3,360,804**
Cash and cash equivalents at end of year (Note 18)	**¥ 3,360,804**	**¥ 4,005,921**

See notes to financial statements.

5 Notes to Financial Statements

1. Basis of Presenting Financial Statements

JAPAN POST BANK Co., Ltd. (the "Bank") became a private bank under the Banking Law of Japan (the "Banking Law"), as a wholly owned subsidiary of JAPAN POST HOLDINGS Co., Ltd., following its privatization on October 1, 2007 in accordance with the Postal Service Privatization Law.

The Bank has no subsidiaries to be consolidated.

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

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

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

The financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to US$1.00, the approximate rate of exchange as of March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the financial statements have been rounded down to the nearest thousand dollar amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. Summary of Accounting Policies

a. Trading Account Securities, Securities and Money Held in Trust—Securities are classified into four categories, based principally on the Bank's intent, as follows:

(1) Trading account securities, which are held in the short term, are reported at fair value, and the related unrealized gains and losses are included in earnings;

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

(3) Investments in affiliates are reported at cost determined by the moving-average method; and

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

Securities invested in money held in trust are stated at the fair value. The balance sheet amounts as of March 31, 2011 and March 31, 2010 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2011 and 2010 for equity securities and at the market price at the balance sheet date for other securities (the costs of other securities sold are determined primarily based on the moving-average method). Unrealized gains and losses on these securities, net of applicable income taxes, are reported in a separate component of net assets.

b. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets, except for buildings (excluding building attachments) which are depreciated using the straight-line method, is computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

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

d. Foreign Currency Transactions—Foreign currency denominated assets and liabilities at the balance sheet date are translated into Japanese yen principally at the exchange rates in effect at the balance sheet date. Exchange gains and losses are recognized in the fiscal year in which they occur.

e. Reserve for Possible Loan Losses—Reserve for possible loan losses is provided for in accordance with the prescribed standards for write-off and reserve as described below:

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

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

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

f. Reserve for Employees' Bonuses—Reserve for employees' bonus is provided for the estimated employees' bonuses attributable to the fiscal year.

g. Reserve for Employees' Retirement Benefits—Reserve for employees' retirement benefits is provided based on the projected benefit obligation at the balance sheet date.

Actuarial gains and losses are recognized in income or expenses using the straight-line method over the average expected remaining service years (10 years) from the following year after they are incurred.

(Change in accounting policy)

Effective from the fiscal year ended March 31, 2010, the Bank has adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan (ASBJ) Statement No. 19 issued on July 31, 2008). The same discount rates used under the previous method are applied, and therefore there was no impact on the retirement benefit obligation as a result of this change.

h. Reserve for Directors' Retirement Benefits—Reserve for directors' retirement benefits is provided for the estimated retirement benefits which are attributable to the fiscal year.

i. Derivatives and Hedging Activities—Derivatives are stated at fair value. Changes in the fair value of derivative transactions are recognized in the statements of income.

Hedging against interest rate risks:

In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities. As for portfolio hedges on groups of large-volume, small-value monetary debts, the Bank applies the deferred hedge accounting method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).

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

The Bank considers the individual hedges are deemed to be highly effective because the Bank designates the hedges in such a way that the major conditions between the hedged items and the hedging instruments are almost the same as the conditions stipulated for special accounting treatment for interest rate swaps.

For some financial assets and liabilities, the Bank applies special accounting treatment for interest rate swaps.

Hedging against foreign exchange fluctuation risks:

The Bank applies the deferred hedge accounting method, the fair value hedge accounting method, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains/losses on available-for-sale securities exposed to the risks of foreign exchange fluctuation risk.

The Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

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

k. Income Taxes—The Bank adopts the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company.

l. Cash and Cash Equivalents—For the purpose of the statement of cash flows, cash and cash equivalents represent cash and due from banks on the balance sheet, excluding negotiable certificates of deposit in other banks.

m. Adoption of the Accounting Standard for Asset Retirement Obligations—Effective from the fiscal year ended March 31, 2011, the Bank has adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The effects of adoption of these standard and guidance on income before income taxes were immaterial.

n. Additional Information—Disclosure of fair values of financial instruments

Effective from the fiscal year ended March 31, 2010, the Bank adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008).

3. Foreign Exchanges

Foreign exchanges as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Assets:		
Due from foreign banks	¥ 5,795	¥ 4,717
Foreign bills bought and foreign exchanges purchased	64	17
Total	¥ 5,860	¥ 4,735
Liabilities:		
Foreign bills sold	¥ 47	¥ 61
Foreign bills payable	68	117
Total	¥ 116	¥ 178

4. Other Assets

Other assets as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Domestic exchange settlement accounts—debit	¥ 12,637	¥ 12,339
Prepaid expenses	6,684	17,736
Accrued income	340,814	366,138
Derivatives other than trading	17,476	53,778
Deposits (to the fiscal loan fund)	2,000,000	—
Other	1,524,524	1,504,520
Total	¥ 3,902,137	¥ 1,954,512

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Land	¥ 27,121	¥ 27,106
Buildings	87,783	91,502
Construction in progress	159	7,574
Other	128,185	146,273
Subtotal	243,249	272,458
Accumulated depreciation	101,217	121,202
Total	¥ 142,032	¥ 151,255

6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Software	¥ 75,364	¥ 81,471
Other	13,589	32,555
Subtotal	88,953	114,026
Accumulated depreciation	50,021	58,868
Total	¥ 38,931	¥ 55,157

7. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees". As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the assets side of the balance sheets, representing the Bank's right of indemnity from the applicants.

8. Assets Pledged as Collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2011 and 2010 were as follows:

(Millions of yen)

	2010	2011
Assets pledged as collateral:		
Securities	¥65,228,776	¥51,404,705
Liabilities corresponding to assets pledged as collateral:		
Deposits	61,428,693	45,110,398
Payables under securities lending transactions	6,236,017	8,083,860
Acceptances and guarantees	—	110,000

Additionally, securities as of March 31, 2011 and 2010 amounting to ¥1,544,024 million ($18,569,140 thousand) and ¥2,011,461 million, respectively, were pledged as collateral for transactions such as Bank of Japan overdrafts, exchange settlement transactions, or substitute securities for derivatives.

As of March 31, 2011 and 2010, guarantee deposits amounting to ¥1,313 million ($15,794 thousand) and ¥1,206 million, respectively, are included in "Other assets" in the accompanying balance sheets.

9. Deposits

Deposits as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Transfer deposits	¥ 7,597,731	¥ 8,714,719
Ordinary deposits	43,959,851	44,693,518
Savings deposits	428,597	422,238
Time deposits	26,847,754	21,911,332
Special deposits*	61,413,288	45,095,189
TEIGAKU deposits**	35,247,935	53,514,432
Other deposits	302,556	301,789
Total	¥ 175,797,715	¥ 174,653,220

* "Special deposits" represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.

** "TEIGAKU deposits" are a kind of 10-year-maturity time deposit unique to JAPAN POST BANK. The key feature is that depositors have the option to withdraw money anytime after six months from the inception of the deposits. The effective interest rates put on deposits rise in a staircase pattern, with duration of up to three years.

"Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the Banking Law Implementation Regulations.

10. Borrowed Money

Borrowed money as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Borrowings from the Ministry of Finance due November 2010	¥2,000,000	¥—
Total	¥2,000,000	¥—

Annual maturities of borrowed money as of March 31, 2011 and 2010 were as follows:

(Millions of yen)

	2010	2011
One year or less	¥2,000,000	¥—
Total	¥2,000,000	¥—

11. Other Liabilities
Other liabilities as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Domestic exchange settlement accounts—credit	¥ 19,592	¥ 18,417
Income taxes payable	35,829	33,875
Accrued expenses	859,024	794,763
Unearned income	49	60
Derivatives other than trading	17,530	54,116
Asset retirement obligations	—	212
Other	591,695	300,128
Total	¥ 1,523,721	¥ 1,201,573

12. Contingent Liabilities
The Bank has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details as of March 31, 2011 and 2010 are as follows:

(Millions of yen)

	2010	2011
One year or less	¥ 35,463	¥ 29,530
Over one year	49,130	20,640
Total	¥ 84,594	¥ 50,171

The Bank had to establish an integrated information processing system for the JAPAN POST GROUP. The JAPAN POST GROUP has signed contracts for the outsourcing of the provision of communications services for the fourth-generation system for business operations and for the outsourcing of the provision of communications services for the fourth-generation system for management information.

13. Other Operating Income
Other operating income for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Gains on sales of bonds including Japanese Government Bonds	¥ 13,003	¥ 24,124
Gains on redemption of bonds including Japanese Government Bonds	55	—
Income from derivatives other than trading	—	10
Other	0	—
Total	¥ 13,058	¥ 24,134

14. Other Income
Other income for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Gains on money held in trusts	¥ 12,578	¥ 18,513
Gains on sales and disposals of fixed assets	6	20
Recoveries of written-off claims	34	17
Other	7,722	8,880
Total	¥ 20,342	¥ 27,431

15. Other Operating Expenses
Other operating expenses for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Losses on foreign exchanges	¥ 8,650	¥ 267
Losses on sales of bonds including Japanese Government Bonds	1,429	79,381
Total	¥ 10,079	¥ 79,648

16. Other Expenses
Other expenses for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Provision for reserve for possible loan losses	¥ 484	¥ 424
Losses on money held in trust	10,200	4,763
Losses on sales and disposals of fixed assets	409	890
Losses on impairment of fixed assets	432	14
Losses on disaster	—	470
Other	1,800	1,628
Total	¥ 13,328	¥ 8,193

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

The Corporate Law of Japan allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon approval of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, capital reserve, or legal reserve that could be transferred to retained earnings or other capital surplus other than capital reserve upon approval of such transfer at the annual general meeting of shareholders.

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

Type and number of outstanding shares issued for the fiscal years ended March 31, 2011 and 2010 were as follows:

(Thousand shares)

	Authorized	Number of Shares Outstanding at the End of Previous Period	Increase	Decrease	Number of Shares Outstanding at the End of Current Period
March 31, 2010 Common stock	600,000	150,000	—	—	150,000
March 31, 2011 Common stock	600,000	150,000	—	—	150,000

Dividends distributed during the fiscal year ended March 31, 2011:

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 13, 2010	Common stock	¥74,100	¥494	March 31, 2010	May 14, 2010

Dividends distributed during the fiscal year ended March 31, 2010:

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 20, 2009	Common stock	¥57,300	¥382	March 31, 2009	May 21, 2009

Of dividends whose record date was included in the fiscal years ended March 31, 2011 and 2010, those whose effective date occurs after the fiscal year's closing:

2010					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 13, 2010	Common stock	¥74,100	¥494	March 31, 2010	May 14, 2010

2011					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 20, 2011	Common stock	¥79,083	¥527.22	March 31, 2011	May 23, 2011

18. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the statement of cash flows and cash and due from banks in the balance sheet as of March 31, 2011 and 2010 were as follows:

(Millions of yen)

	2010	2011
Cash and due from banks	¥ 4,440,804	¥ 5,050,921
Due from banks, excluding negotiable certificates of deposit in other banks	(1,080,000)	(1,045,000)
Cash and cash equivalents	¥ 3,360,804	¥ 4,005,921

19. Leases

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2011 and 2010 were as follows:

(Millions of yen)

	2010	2011
Due within one year	¥ 490	¥ 488
Due over one year	941	453
Total	¥ 1,431	¥ 941

20. Securities

As of the end of the fiscal year ended March 31, 2011and 2010, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥4,507,695 million ($54,211,616 thousand) and ¥2,511,023 million, respectively, among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements.

21. Financial Instruments

a. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

The Bank's operations comprise deposit-taking up to designated limits, syndicated loans and other lending, securities investment, domestic and foreign exchange, retail sales of Japanese Government Bonds and investment trusts, intermediary services including mortgages, and credit card operations.

The Bank raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds, which mainly consist of Japanese Government Bonds, foreign bonds, etc. as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Bank including affecting the stability of its earnings. The Bank therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

Since its incorporation in October 2007, the Bank has diversified its earnings sources through investment diversification and consequently the outstanding amount of financial assets with credit risk has steadily grown. However, these investments are made with careful regard to the securities in which the Bank invests and the amount invested so that the occurrence of a credit risk event or other factors will not result in excessive losses.

(2) Details of financial instruments and associated risks

The financial assets held by the Bank are securities including Japanese bonds, which mainly consist of Japanese Government Bonds, and foreign bonds. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amounts of these investments are significantly less than those of bonds and other securities.

From the viewpoints of the Bank's asset and liability management (ALM), the Bank utilizes interest rate swaps as hedging instruments for interest rate-related instruments to avoid the risk of changes in future economic values of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related instruments, the Bank utilizes currency swaps and others as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency denominated assets (bonds) held by the Bank and related yen translation amounts of redemption of principal and interest.

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

In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities. To evaluate the effectiveness of portfolio hedges on large-volume groups, small-value monetary debts, the Bank designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses to offset changes in the fair value of hedge items by grouping them into their maturities.

The Bank considers the individual hedges are deemed to be highly effective because the Bank designates the hedges in such a way that the major conditions between the hedged items and the hedging instruments are almost the same as the conditions stipulated for special accounting treatment for interest rate swaps.

The Bank applies the deferred hedge accounting method, the fair value hedge accounting method, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on available-for-sale securities denominated in foreign currency. The Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions between the hedged items and the hedging instruments are almost the same.

(3) Risk management structure for financial instruments

a) Basic policy

The Executive Committee has established special advisory committees, the Risk Management Committee and the ALM Committee, to handle risk management responsibilities. These advisory committees submit risk management reports based on the nature of each risk and discuss risk management policies and measures.

b) Credit risk

The Bank manages credit risk using Value at Risk (VaR: a statistical method that identifies the maximum loss possible based on designated probabilities in the financial assets and liabilities held) based on internal guidelines to quantitatively measure the amount of credit risk. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of credit risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

In order to control credit concentration, the Bank has set credit limits for individual companies and corporate groups according to their creditworthiness and monitors the portfolios in an appropriate manner by adhering to these limits. The Risk Management Department oversees the Bank's internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Office assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the credit risk management structure, and matters related to the implementation of credit risk management.

c) Market risk

As per the Bank's ALM policy, the Bank makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, and share price fluctuations. However, based on internal guidelines regarding market risk management, the Bank measures the amount of market risk using the VaR statistical method. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

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

The Bank measures and manages market risk using the Value at Risk (VaR) method. For its market risk measurement model, the Bank uses the historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; observation period of 1,200 days (five years)). As of March 31, 2011, the Bank calculates its market risk volume (estimated potential losses from such risk) at ¥1,606,644 million ($19,322,248 thousand). VaR provides the major market risk exposure which is statistically calculated under certain probability based on historical market fluctuations. Thus, it may not capture fully the risk stemming from extraordinary changes in the market environment that are normally considered improbable.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the market risk management structure, and matters related to the implementation of market risk management.

In addition, the Bank has a distinctive asset and liability structure, with Japanese Government Bonds accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Bank's profit structure, the Bank closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

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

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

d) Funding liquidity risk

The Bank's funding liquidity risk management consists primarily of closely monitoring funding conditions and taking timely and appropriate actions. It then maintains appropriate liquidity reserves for unexpected fund outflows.

Through these steps, the Bank sets, monitors, and analyzes its funding liquidity indicators to ensure stable liquidity management.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the funding liquidity risk management structure and matters related to the implementation of funding liquidity risk management.

(4) Supplementary explanation of items related to the fair value of financial instruments

The Bank determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

b. Notes related to the fair values of financial instruments

The amounts on the balance sheet, the fair values, and the differences between the two as of March 31, 2011 and 2010, were as follows. The fair values for unlisted equities are left out of the table below as it is extremely difficult to determine the fair value for these equities.

(Millions of yen)

2010			
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 4,440,804	¥ 4,440,804	—
(2) Call loans	261,649	261,649	—
(3) Receivables under securities borrowing transactions	2,495,622	2,495,622	—
(4) Monetary claims bought	124,082	124,082	—
(5) Trading account securities:			
Securities classified as trading purposes	196	196	—
(6) Money held in trust	1,015,355	1,015,355	—
(7) Securities:			
Held-to-maturity securities	127,873,903	130,898,578	¥ 3,024,675
Available-for-sale securities	50,355,884	50,355,884	—
(8) Loans:	4,022,547		
Reserve for possible loan losses**	(177)		
	4,022,370	4,072,076	49,706
(9) Other assets:			
Deposits (to the fiscal loan fund)	2,000,000	2,000,000	—
Total assets	¥ 192,589,869	¥ 195,664,250	¥ 3,074,381
(1) Deposits	¥ 175,797,715	¥ 176,216,611	¥ 418,895
(2) Payables under securities lending transactions	6,236,017	6,236,017	—
(3) Borrowed money	2,000,000	2,000,000	—
Total liabilities	¥ 184,033,732	¥ 184,452,628	¥ 418,895
Derivative transactions***:			
For which hedge accounting is not applied	¥ 207	¥ 207	¥ —
For which hedge accounting is applied	(261)	(261)	—
Total derivative transactions	¥ (54)	¥ (54)	¥ —

(Millions of yen)

2011			
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 5,050,921	¥ 5,050,921	—
(2) Call loans	429,663	429,663	—
(3) Receivables under securities borrowing transactions	4,483,396	4,483,396	—
(4) Monetary claims bought	133,214	133,214	—
(5) Trading account securities:			
Securities classified as trading purposes	282	282	—
(6) Money held in trust	1,806,768	1,806,768	—
(7) Securities:			
Held-to-maturity securities	116,861,747	119,856,793	¥ 2,995,045
Available-for-sale securities	58,163,763	58,163,763	—
(8) Loans:	4,238,772		
Reserve for possible loan losses**	(206)		
	4,238,565	4,308,118	69,552
Total assets	¥ 191,168,324	¥ 194,232,922	¥ 3,064,598
(1) Deposits	¥ 174,653,220	¥ 175,215,314	¥ 562,094
(2) Payables under securities lending transactions	8,083,860	8,083,860	—
Total liabilities	¥ 182,737,081	¥ 183,299,175	¥ 562,094
Derivative transactions***:			
For which hedge accounting is not applied	¥ 114	¥ 114	¥ —
For which hedge accounting is applied	(452)	(452)	—
Total derivative transactions	¥ (337)	¥ (337)	¥ —

* Insignificant balance sheet accounts are not disclosed.
** Reserve for possible loan losses is the general reserve for possible loan losses corresponding to loans.
*** Figures are total derivative transactions recorded as other assets or other liabilities.
The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.
Hedges covered by designation of foreign exchange forward contracts are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

(Note 1)
Assets
(1) Cash and due from banks
The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Bank uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.
(2) Call loans and (3) Receivables under securities borrowing transactions
Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.
(4) Monetary claims bought
The Bank uses the price provided by the broker, etc. as the fair value.
(5) Trading account securities
The Bank uses the purchase price of the Bank of Japan as the fair value.
(6) Money held in trust
For invested securities representing trust assets in money held in trust, the Bank uses the price at the exchange market for equities and the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value.
Notes pertaining to money held in trust by holding purpose are included in the below "g. Money held in trust" of Note 22. Fair Value Information for Securities.
(7) Securities
For bonds, the Bank uses a price calculated based on the exchange price, the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by the broker, etc as the fair value. The Bank uses the funds' unit price for investment trust as the fair value.
Notes pertaining to securities by holding purpose are included in the below Note 22. Fair Value Information for Securities.
(8) Loans
Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value. For fixed-rate loans, the Bank calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.
For loans that are limited to within a designated percentage of the amount of pledged assets, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.
(9) Other assets
Deposits (to the fiscal loan fund) recorded under other assets are settled within a short term (within one year), consequently the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Liabilities
(1) Deposits
For demand deposits including transfer deposits and ordinary deposits, the Bank uses the amount that might be paid on demand at the balance sheet date (the book value) as the fair value.
For fixed-term deposits including time deposits and TEIGAKU deposits, the Bank classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Bank uses the interest rates on newly accepted fixed-term deposits as the discount rate.
(2) Payables under securities lending transactions
Payables under securities lending transactions are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.
(3) Borrowed money
The repayment period for borrowed money is short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

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

(Note 2)
Financial instruments for which the Bank deems it extremely difficult to determine a fair value as of March 31, 2011 and 2010 were as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities."

(Millions of yen)

	2010	2011
Type	Amount on the balance sheet	Amount on the balance sheet
Unlisted equities*	¥ 900	¥ 900

* Unlisted equities are omitted from fair value disclosure because they do not have a market price, and consequently it is deemed extremely difficult to determine a fair value.

(Note 3)
Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal year ended March 31, 2011 was as follows:

(Millions of yen)

	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	¥ 4,892,771	—	—	—	—	—
Call loans	429,663	—	—	—	—	—
Receivables under securities borrowing transactions	4,483,396	—	—	—	—	—
Monetary claims bought	10,590	¥ 11,479	¥ 6,208	¥ 5,488	¥ 24,827	¥ 73,625
Securities:						
Held-to-maturity securities:	24,804,563	32,801,036	26,512,148	19,613,753	12,888,157	—
Japanese Government Bonds	23,604,755	29,670,080	24,723,900	18,039,940	11,384,500	—
Japanese local government bonds	443,532	1,312,054	846,125	341,284	—	—
Japanese corporate bonds	756,275	1,777,921	873,632	1,195,005	1,503,657	—
Other securities	—	40,980	68,490	37,523	—	—
Available-for-sale securities (with maturity date):	12,892,872	11,705,502	7,113,586	6,912,103	11,128,467	4,994,448
Japanese Government Bonds	11,740,211	8,515,148	2,820,916	4,213,955	7,030,797	3,888,100
Japanese local government bonds	41,037	271,462	671,607	396,018	1,235,218	40,000
Japanese corporate bonds	735,034	1,548,880	1,800,796	444,240	1,141,500	1,016,348
Other securities	376,588	1,370,012	1,820,266	1,857,889	1,720,952	50,000
Loans	713,581	1,152,777	783,164	477,137	634,879	471,170
Total	¥ 48,227,439	¥ 45,670,795	¥ 34,415,108	¥ 27,008,482	¥ 24,676,332	¥ 5,539,244

(Note 4)
Scheduled repayment amounts of other interest-bearing liabilities subsequent to fiscal year ended March 31, 2011 was as follows:

(Millions of yen)

	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 86,383,377	¥ 7,990,277	¥ 5,888,478	¥ 28,944,454	¥ 45,446,632	¥ —
Payables under securities lending transactions	8,083,860	—	—	—	—	—
Total	¥ 94,467,238	¥ 7,990,277	¥ 5,888,478	¥ 28,944,454	¥ 45,446,632	¥ —

* Demand deposits are included in "One Year or Less".

22. Fair Value Information for Securities
Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, trust beneficiary interests recorded under monetary claims bought and money held in trust, as well as Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, and other securities listed on the balance sheet.

a. Trading account securities
There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statement of income for the fiscal year ended March 31, 2011 and 2010.

b. Held-to-maturity securities

(Millions of yen)

2010				
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥116,086,507	¥118,889,842	¥2,803,334
	Japanese local government bonds	3,711,605	3,815,934	104,329
	Japanese corporate bonds	5,877,246	5,999,049	121,802
	Others	22,129	26,744	4,615
	Total	125,697,488	128,731,570	3,034,082
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,750,154	1,743,161	(6,992)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	426,260	424,514	(1,746)
	Others	—	—	—
	Total	2,176,414	2,167,676	(8,738)
Total		¥127,873,903	¥130,899,246	¥3,025,343

(Millions of yen)

2011				
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥105,570,947	¥108,314,021	¥2,743,074
	Japanese local government bonds	2,934,690	3,021,439	86,748
	Japanese corporate bonds	5,659,716	5,810,288	150,572
	Others	122,761	131,157	8,396
	Total	114,288,115	117,276,907	2,988,791
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	2,087,144	2,085,496	(1,647)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	462,254	461,778	(475)
	Others	24,233	23,491	(742)
	Total	2,573,632	2,570,766	(2,866)
Total		¥116,861,747	¥119,847,673	¥2,985,925

c. Investments in subsidiaries and affiliates

As of March 31, 2011 and 2010, there were no investments in affiliates whose fair value was available.

Note: Securities of subsidiaries and affiliates whose fair value cannot be reliably determined as of March 31, 2011 and 2010 were as follows:

(Millions of yen)

	2010	2011
	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates	¥ 900	¥ 900
Total	¥ 900	¥ 900

d. Available-for-sale securities whose fair value is available:

(Millions of yen)

2010				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:			
	Japanese Government Bonds	¥ 28,143,112	¥ 27,786,574	¥ 356,538
	Japanese local government bonds	1,462,406	1,426,534	35,872
	Japanese corporate bonds	5,179,572	5,077,966	101,606
	Others	4,126,931	4,031,855	95,075
	Total	38,912,023	38,322,930	589,093
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:			
	Japanese Government Bonds	9,911,789	9,915,754	(3,965)
	Japanese local government bonds	115,190	115,548	(357)
	Japanese corporate bonds	798,149	799,353	(1,203)
	Others	1,822,814	1,832,626	(9,811)
	Total	12,647,943	12,663,282	(15,339)
Total		¥ 51,559,967	¥ 50,986,213	¥ 573,754

(Millions of yen)

2011				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:			
	Japanese Government Bonds	¥ 30,399,283	¥ 29,984,550	¥ 414,732
	Japanese local government bonds	2,068,693	2,016,399	52,294
	Japanese corporate bonds	5,181,044	5,077,680	103,364
	Others	6,664,696	6,530,953	133,742
	Total	44,313,718	43,609,583	704,134
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:			
	Japanese Government Bonds	8,403,587	8,425,949	(22,361)
	Japanese local government bonds	655,453	661,106	(5,652)
	Japanese corporate bonds	1,604,736	1,635,889	(31,152)
	Others	4,364,482	4,485,295	(120,813)
	Total	15,028,260	15,208,240	(179,980)
Total		¥ 59,341,978	¥ 58,817,824	¥ 524,154

e. Held-to-maturity securities

Held-to-maturity securities sold during the fiscal years ended March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

2010			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥ 2,690,177	¥ 2,691,369	¥ 1,192
Total	¥ 2,690,177	¥ 2,691,369	¥ 1,192

(Millions of yen)

2011			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥ 3,634,046	¥ 3,637,299	¥ 3,252
Total	¥ 3,634,046	¥ 3,637,299	¥ 3,252

These held-to-maturity securities were sold in accordance with Article 282 of "Practical Guidance on Accounting for Financial Instruments" (JICPA Accounting Standard Committee Report No. 14).

Realized gains are included in "Interest and dividends on securities" in the accompanying statements of income.

f. Available-for-sale securities

Available-for-sale securities sold during the fiscal years ended March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

2010			
	Sales proceeds	Total realized gains	Total realized losses
Bonds:			
Japanese Government Bonds	¥ 7,029,494	¥ 13,003	¥ 1,238
Others:			
Foreign bonds	36,284	—	190
Total	¥ 7,065,778	¥ 13,003	¥ 1,429

(Millions of yen)

2011			
	Sales proceeds	Total realized gains	Total realized losses
Bonds:			
Japanese Government Bonds	¥ 3,588,763	¥ 24,124	¥ 26,263
Others:	963,158	—	53,117
Total	¥ 4,551,922	¥ 24,124	¥ 79,381

g. Money held in trust

The Bank did not hold money held in trust for the purpose of trading nor held-to-maturity as of March 31, 2011 and 2010.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2011 and 2010 were as follows:

(Millions of yen)

2010					
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥ 1,015,355	¥ 944,044	¥ 71,311	¥ 113,828	¥ (42,516)

(Millions of yen)

2011					
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥ 1,806,768	¥ 1,669,573	¥ 137,194	¥ 180,995	¥ (43,800)

Notes:1. The amounts on the balance sheet are stated at the average market price of the final month for the fiscal year for equity securities and at the market price at the balance sheet date for other securities.
2. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.
3. For the securities (equity securities) with market quotations that were under management as trust assets, whose fair value showed a substantial decline from their acquisition cost and was not judged to recover to its book value, the Bank reduced its book value of securities at fair value on the balance sheet and charged valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. The amount of impairment losses for the fiscal years ended March 31, 2011 and 2010 amounted to ¥19,653 million ($236,360 thousand) and ¥8,270 million, respectively. Securities were judged as impaired when their fair values showed a substantial decline from their book value.
The criteria for determining if such a decline is significant are as follows:
* Securities whose fair value is 50% or less than the acquisition cost, or
* Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

h. Unrealized gains (losses) on available-for-sale securities:
Unrealized gains (losses) on available-for-sale securities as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Valuation differences:	¥ 645,065	¥ 661,348
Available-for-sale securities	573,754	524,154
Available-for-sale money held in trust	71,311	137,194
Deferred tax assets (liabilities)	(262,472)	(269,097)
Unrealized gains (losses) on available-for-sale securities	¥ 382,593	¥ 392,251

23. Derivatives
a. Derivatives for which hedge accounting not applied as of March 31, 2011 and 2010
For derivative transactions for which hedge accounting is not applied, the contract amounts at the balance sheet date for each type of underlying instrument, the principal equivalent amount stipulated in the contract, the fair value, unrealized gains or losses, and the method for calculating the corresponding fair value are as follows. The amount shown as the contract amount, etc. does not show market risk related to the derivative transactions.
(1) Interest rate-related instruments: None as of March 31, 2011 and 2010
(2) Currency-related instruments as of March 31, 2011 and 2010:
The Bank had the following derivative instruments outstanding as of March 31, 2011 and 2010:
Currency-related instruments (as of March 31, 2011)

(Millions of yen)

2010					
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	¥ 11,822	¥ —	¥ 207	¥ 207
Total		—	—	¥ 207	¥ 207

(Millions of yen)

2011					
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	¥ 6,864	¥ —	¥ 114	¥ 114
Total		—	—	¥ 114	¥ 114

Notes:1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the statement of income.
2. The fair value is determined using the discounted present value of future cash flows.

(3) Equity-related derivatives: None as of March 31, 2011 and 2010
(4) Bond-related derivatives: None as of March 31, 2011 and 2010
(5) Commodity-related derivatives: None as of March 31, 2011 and 2010
(6) Credit derivatives: None as of March 31, 2011 and 2010

b. Derivatives for which hedge accounting applied as of March 31, 2011 and 2010
For derivative instruments for which hedge accounting is applied, the contract amount at the balance sheet date for each type of underlying instruments for each hedge accounting method, the principal equivalent amount stipulated in the contract, the fair value, and the method for calculating the corresponding fair value are as follows. The amount shown as the contract amount, etc. does not show market risk related to the derivative instruments.

(1) Interest rate-related instruments

(Millions of yen)

2010					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds)	¥ 1,470,830	¥ 1,470,830	¥ 8,512
Total			—	—	¥ 8,512

(Millions of yen)

2011					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds), Deposits	¥ 2,269,300	¥ 2,269,300	¥ (19,406)
	Receive fixed swaps, pay floating swaps		1,500,000	1,500,000	877
Total			—	—	¥ (18,529)

Notes: 1. The deferred hedge method is basically applied as the hedge accounting method for interest rate risks arising from financial assets and liabilities.
2. The fair value is determined using the discounted present value of future cash flows.

(2) Currency-related instruments

(Millions of yen)

2010					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	¥ 401,031	¥ 384,458	¥ (8,773)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	28,626	27,701	(Note 3)
Total			—	—	¥ (8,773)

(Millions of yen)

2011					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	¥ 480,947	¥ 441,964	¥ 26,296
	Currency swap		484,880	482,738	(8,219)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	173,688	167,882	(Note 3)
Total			—	—	¥ 18,076

Notes: 1. Deferred hedging is used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.
2. The fair value is determined using the discounted present value of future cash flows.
3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the contract being hedged, and their fair value is therefore included in that of the corresponding contract under Note 21.Financial Instruments.

24. Loans

Past-due loans, before reserves, totaled ¥2 million ($24 thousand) as of March 31, 2011. Past-due loans are non-accrual loans other than loans to bankrupt borrowers, loans to restructuring borrowers, and loans for which interest payments have been deferred to assist a struggling borrower. Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96-1-3-1 to 5 or 96-1-4 of the Enforcement Ordinance of the Corporate Tax Law (No. 97 in 1965) and on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for some other reasons.

"Loans to bankrupt borrowers", "Past-due loans", "Past-due loans for three months or more", and "Restructured loans" did not exist as of March 31, 2010.

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The Bank will make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of various terms and conditions stipulated in the relevant loan agreement.

The unused commitment balance relating to these loan agreements amounted ¥10,235 million ($123,090 thousand) and ¥5,235 million as of March 31, 2011 and 2010, respectively. Of this amount, ¥7,500 million ($90,198 thousand) and ¥2,500 million as of March 31, 2011 and 2010, respectively related to loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time.

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

25. Reserve for Retirement Benefits

The Bank has a lump-sum retirement payment plan for employees based on the internal retirement benefit rule.

Reserve for employees' retirement benefits as of March 31, 2011 and 2010 consisted of the following:

(Millions of yen)

	2010	2011
Projected benefit obligation	¥ (126,275)	¥ (127,408)
Unfunded projected benefit obligation	(126,275)	(127,408)
Unrecognized net actuarial losses	(2,740)	(6,108)
Net amount recorded on the balance sheets	(129,015)	(133,517)
Reserve for employees' retirement benefits	¥ (129,015)	¥ (133,517)

The breakdown of total retirement benefit costs for the years ended March 31, 2011 and 2010 was as follows:

(Millions of yen)

	2010	2011
Service cost	¥ 5,965	¥ 6,259
Interest cost on projected benefit obligation	2,128	2,184
Amortization of unrecognized net actuarial losses	(288)	(308)
Total retirement benefit costs	¥ 7,805	¥ 8,135

Assumptions used in the calculation of the above information for the years ended March 31, 2011 and 2010 are set forth as follows:

	2010	2011
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Discount rate	1.7%	1.7%
Amortization period of unrecognized actuarial losses	10 years	10 years

26. Income Taxes

Income taxes, which consist of corporation, inhabitant, and enterprise taxes, are calculated based on taxable income.

The Bank is subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.69% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

(Millions of yen)

	2010	2011
Deferred tax assets:		
Reserve for possible loan losses	¥ 633	¥ 473
Reserve for employees' retirement benefits	52,495	54,327
Depreciation	17,457	13,087
Accrued interest on deposits	27,825	17,266
Impairment losses of money held in trust	11,235	14,041
Other	16,683	21,144
Total deferred tax assets	126,331	120,340
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(262,472)	(269,097)
Other	(9,067)	(13,677)
Total deferred tax liabilities	(271,539)	(282,774)
Net deferred tax assets (liabilities)	¥ (145,208)	¥ (162,434)

For the fiscal years ended March 31, 2011 and 2010, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

27. Profit or Loss From Equity Method

The details for the fiscal years ended March 31, 2011 and 2010 were as follows:

(Millions of yen)

	2010	2011
Investments in affiliates	¥ 900	¥ 900
Investments, if equity method accounting is adopted	805	837
Investment gains (losses), if equity method accounting is adopted	14	31

Additional Information

Effective from the fiscal year ended March 31, 2011, the Bank has adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24 issued on March 10, 2008). The adoption of equity method did not affect investment gains for the fiscal year ended March 31, 2011.

28. Segment Information

Segment Information

Segment information is omitted as the Bank comprises only single segment, which is defined as banking service.

Related Information

a. Information about services

Information by services is omitted as revenues from securities investment accounted for more than 90% of the total revenues in the statement of income for the year ended March 31, 2011.

b. Information about geographical areas

1) Revenues

Information about revenues by geographical area is omitted as revenues from external customers in Japan accounted for more than 90% of the total revenues in the statement of income for the year ended March 31, 2011.

2)Tangible fixed assets

Information about tangible fixed assets by geographical areas is omitted as related assets located in Japan accounted for more than 90% of the tangible fixed assets in the balance sheet as of March 31, 2011.

c. Information about major customers

Information by major customers is omitted as there was no single external customer accounted for 10% or more of the total revenues in the statement of income for the year ended March 31, 2011.

Information about losses on impairment of fixed assets by reported segments
The related information is omitted as the Bank comprises only single segment, which is defined as banking service.

Information about amortization of goodwill and unamortized balance by reported segment
None

Information about recognized gain on negative goodwill by reported segments
None

Additional Information
Effective from the fiscal year ended March 31, 2011, the Bank has adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

29. Related Party Transactions
a. Transactions with related parties
(1) Transactions between the Bank and related parties for the years ended March 31, 2011 and 2010 were as follows:

For the year ended March 31, 2010
JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥3,500,000 million		
Nature of transactions	Concurrent holding of positions by executive management directors Business management		
Details of transactions:	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥ 73,008 million	¥ 37,619 million	¥ 4,431 million
Account	—	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	—	¥ 3,315 million	¥ 387 million

For the year ended March 31, 2011
JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥ 3,500,000 million		
Nature of transactions	Concurrent holding of positions by executive management directors Business management		
Details of transactions:	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥ 56,264 million	¥ 31,732 million	¥ 4,111 million
Account	—	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	—	¥ 2,781 million	¥ 359 million

* Payment is made pursuant to Article 122 of the Postal Service Privatization Law.
** Payment is made for data processing services using JAPAN POST GROUP internal networks in accordance with a contract with the parent company, at rates determined based on general transactions.
*** Payment of management fees is determined based on the total costs incurred in regard to business management conducted by the parent company.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:
None for the fiscal years ended March 31, 2011 and 2010

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates for the years ended March 31, 2011 and 2010 were as follows:

For the year ended March 31, 2010
JAPAN POST NETWORK Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil		
Capital	¥ 100,000 million		
Nature of transactions	Consignment of banking agency operations and Concurrent holding of positions by executive management directors		
Details of transactions:	Payment of consignment fees*	Receipt and payment of funds related to banking agency operations	
Transaction amount	¥632,587 million	¥1,347,287 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥53,409 million	¥1,340,000 million	¥24,387 million

* The figures are determined based on the total costs incurred in connection with the services provided by the service outsourcing companies.
** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2010.
*** The figures represent the unsettled amount between the Bank and JAPAN POST NETWORK Co., Ltd. in connection with receipt/payment operations with customers based on the banking agency service agreement. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.
Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

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

Ownership of voting rights held	Nil
Capital	¥ 100,000 million
Nature of transactions	Consignment contracts for logistics operations
Details of transactions:	Payment of consignment fees for logistics operations****
Transaction amount	¥ 2,456 million
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥ 294 million

**** In accordance with contracts with JAPAN POST SERVICE Co., Ltd., payment is made of fees for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on general transactions.
Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

For the year ended March 31, 2011

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

<table>
<tr><td>Ownership of voting rights held</td><td colspan="3">Nil</td></tr>
<tr><td>Capital</td><td colspan="3">¥100,000 million</td></tr>
<tr><td>Nature of transactions</td><td colspan="3">Consignment of banking agency operations and Concurrent holding of positions by executive management directors</td></tr>
<tr><td>Details of transactions:</td><td>Payment of consignment fees*</td><td colspan="2">Receipt and payment of funds related to banking agency operations</td></tr>
<tr><td>Transaction amount</td><td>¥631,924 million</td><td>¥1,344,684 million</td><td>—</td></tr>
<tr><td>Account</td><td>Other liabilities</td><td>Other assets**</td><td>Other assets***</td></tr>
<tr><td>Outstanding balance at end of the fiscal year</td><td>¥53,378 million</td><td>¥1,340,000 million</td><td>¥44,933 million</td></tr>
</table>

* The figures are determined based on the total costs incurred in connection with the services provided by the service outsourcing companies.

** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2011.

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

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

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

Ownership of voting rights held	Nil
Capital	¥100,000 million
Nature of transactions	Consignment contracts for logistics operations
Details of transactions:	Payment of consignment fees for logistics operations****
Transaction amount	¥2,544 million
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥267 million

**** In accordance with contracts with JAPAN POST SERVICE Co., Ltd., payment is made of fees for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on general transactions.

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

(4) Receivables from and payables due to directors and/or executive officers
None

b. Notes related to the parent company and/or significant affiliates

(1) Information on the parent company
JAPAN POST HOLDINGS Co., Ltd. (Unlisted)

(2) Information on significant affiliates
None

30. Per Share Data

Net assets per share at March 31, 2011 and 2010 and net income per share for the years then ended were as follows:

(yen)

	2010	2011
Net assets per share	¥ 58,930.31	¥ 60,624.23
Net income per share	1,978.38	2,108.86

Net assets per share for the fiscal years ended March 31, 2011 and 2010 were calculated based on the following:

(Millions of yen)

	2010	2011
Net assets	¥ 8,839,547	¥ 9,093,634
Net assets attributable to common stock at the end of the fiscal year	8,839,547	9,093,634
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	150,000	150,000

Net income per share data for the fiscal years ended March 31, 2011 and 2010 were calculated based on the following:

(Millions of yen)

	2010	2011
Net income	¥ 296,758	¥ 316,329
Net income attributable to common stock	296,758	316,329
Average number of common stock outstanding during the fiscal year (thousand shares)	150,000	150,000

Note: Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2011 and 2010.

31. Subsequent Event
None

7. Japan Post Insurance Co., Ltd. —Non-consolidated Financial Data

The non-consolidated balance sheets, the non-consolidated statements of income and the statements of changes in net assets for Japan Post Insurance Co., Ltd. were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Company Act of Japan. KPMG AZSA LLC changed its corporate name from KPMG AZSA & Co. effective July 1, 2010 because of a change in its audit corporation classification.

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets		
Cash and deposits	¥ 2,287,864	¥ 2,046,178
Cash	6,510	5,417
Deposits	2,281,353	2,040,760
Call loans	353,889	595,689
Receivables under securities borrowing transactions	799,678	1,266,649
Monetary claims bought	8,058	40,698
Money held in trust	175,038	225,365
Securities	80,341,503	77,173,062
Japanese government bonds	67,617,608	64,103,036
Japanese local government bonds	5,128,174	6,255,799
Japanese corporate bonds	6,937,524	6,090,524
Foreign securities	658,195	723,702
Loans	16,260,524	14,547,498
Policy loans	3,101	10,060
General loans	351,527	461,098
Loans to Management Organization for Postal Savings and Postal Life Insurance	15,905,896	14,076,339
Tangible fixed assets	99,297	89,812
Land	40,726	40,726
Buildings, net	34,982	34,028
Leased assets	724	1,052
Construction in progress	97	31
Others, net	22,767	13,973
Intangible fixed assets	89,289	95,974
Software	89,268	95,951
Others	21	22
Agency accounts receivable	111,507	127,916
Other assets	252,369	269,188
Accounts receivable	13,434	48,062
Prepaid expenses	1,341	549
Accrued income	231,721	215,776
Cash segregated as deposits	1,753	1,344
Suspense payments	1,627	1,846
Other assets	2,490	1,609
Deferred tax assets	191,661	309,781
Allowance for doubtful accounts	(902)	(1,050)
Total assets	**¥100,969,782**	**¥96,786,765**

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Liabilities		
Policy reserves	¥ 97,226,858	¥92,817,891
Reserve for outstanding claims	1,131,793	1,020,922
Policy reserves	93,417,099	89,164,763
Reserve for policyholders' dividends	2,677,965	2,632,205
Due to reinsurers	253	222
Other liabilities	2,090,736	2,293,130
Payable under securities lending transactions	1,029,168	1,477,611
Income taxes payable	10,378	18,876
Accounts payable	846,232	635,443
Accrued expenses	13,841	12,129
Unearned revenues	—	0
Deposits received	13,125	13,501
Deposits received from Management Organization for Postal Savings and Postal Life Insurance	164,678	121,910
Derivatives	2,510	1,379
Lease obligations	793	1,105
Asset retirement obligations	—	15
Suspense receipt	9,315	10,280
Other liabilities	692	876
Reserve for possible claims payment	6,914	2,303
Reserve for employees' retirement benefits	54,147	55,721
Reserve for directors' retirement benefits	96	131
Reserve for price fluctuations	421,408	409,674
Total liabilities	**¥ 99,800,415**	**¥95,579,075**
Net assets		
Capital stock	¥ 500,000	¥ 500,000
Capital surplus	500,044	500,044
Legal capital surplus	405,044	405,044
Other capital surplus	95,000	95,000
Retained earnings	126,722	186,466
Legal retained earnings	1,915	5,422
Other retained earnings	124,806	181,044
Retained earnings brought forward	124,806	181,044
Total shareholders' equity	1,126,766	1,186,511
Net unrealized gains (losses) on securities	42,599	21,179
Total valuation and translation adjustments	42,599	21,179
Total net assets	**¥ 1,169,366**	**¥ 1,207,690**
Total liabilities and net assets	**¥100,969,782**	**¥96,786,765**

2 Statements of Income

(Millions of yen)

Item	2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)
Ordinary income	**¥14,591,640**	**¥13,375,468**
Insurance premiums and others	**7,505,609**	**7,342,346**
Insurance premiums	7,505,609	7,342,346
Investment income	**1,665,926**	**1,662,800**
Interest and dividends income	1,616,041	1,579,689
Interest on bank deposits	1,275	710
Interest and dividends on securities	1,141,123	1,179,452
Interest on loans	5,553	7,787
Interest on loans to Management Organization for Postal Savings and Postal Life Insurance	465,915	389,279
Other interest and dividends	2,173	2,459
Gains on money held in trust	38,799	15,714
Gains on sales of securities	10,077	66,968
Gains on redemption of securities	41	54
Other investment income	966	373
Other ordinary income	**5,420,103**	**4,370,320**
Reversal of reserves for outstanding claims	33,801	110,871
Reversal of policy reserves	5,384,121	4,252,336
Reversal of reserve for possible claims payment	—	4,610
Other ordinary income	2,180	2,502
Ordinary expenses	**14,212,016**	**12,953,261**
Insurance claims and others	**13,523,972**	**12,274,910**
Insurance claims	13,404,736	12,061,934
Annuity payments	38,409	84,051
Benefits	6,697	13,415
Surrender benefits	31,429	60,825
Other refunds	42,699	54,684
Provision for policy reserves and others	**21,483**	**17,765**
Provision for interest portion of reserve for policyholders' dividends	21,483	17,765
Investment expenses	**31,180**	**47,299**
Interest expenses	2,866	2,040
Losses on sales of securities	26,443	24,965
Losses on valuation of securities	—	16,970
Losses on redemption of securities	138	78
Losses on derivatives	204	178
Foreign exchange losses	915	2,035
Provision for allowance for doubtful accounts	7	19
Other investment expenses	605	1,010
Operating expenses	**549,298**	**535,591**
Other ordinary expenses	**86,080**	**77,694**
Taxes	36,908	38,591
Depreciation	40,996	36,786
Provision for reserve for possible claims payment	6,914	—
Provision for reserve for employees' retirement benefits	216	1,461
Provision for reserve for directors' retirement benefits	34	35
Others	1,010	819
Net ordinary income	**¥ 379,623**	**¥ 422,207**
Extraordinary income	**¥ 25,192**	**¥ 11,747**
Reversal of reserve for price fluctuations	25,173	11,734
Others	18	13
Extraordinary losses	**77**	**221**
Losses on disposal of fixed assets	77	177
Losses on disaster	—	26
Others	—	16
Provision for reserve for policyholders' dividends	**294,394**	**311,922**
Income before income taxes	**110,343**	**121,811**
Income taxes-current	**76,460**	**150,494**
Income taxes-deferred	**(36,243)**	**(105,959)**
Total income taxes	**40,216**	**44,535**
Net income	**¥ 70,126**	**¥ 77,276**

3 Statements of Changes in Net Assets

(Millions of yen)

	2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)
Shareholders' equity:		
Capital stock:		
Balance at the end of previous period	¥ 500,000	¥ 500,000
Balance at the end of current period	¥ 500,000	¥ 500,000
Capital surplus:		
Legal capital surplus:		
Balance at the end of previous period	¥ 405,044	¥ 405,044
Balance at the end of current period	¥ 405,044	¥ 405,044
Other capital surplus:		
Balance at the end of previous period	¥ 95,000	¥ 95,000
Balance at the end of current period	¥ 95,000	¥ 95,000
Total capital surplus:		
Balance at the end of previous period	¥ 500,044	¥ 500,044
Balance at the end of current period	¥ 500,044	¥ 500,044
Retained earnings:		
Legal retained earnings:		
Balance at the end of previous period	¥ —	¥ 1,915
Changes of items during the period:		
Dividends	1,915	3,506
Total changes during the period	1,915	3,506
Balance at the end of current period	¥ 1,915	¥ 5,422
Other retained earnings:		
Retained earnings brought forward:		
Balance at the end of previous period	¥ 66,174	¥ 124,806
Changes of items during the period:		
Dividends	(11,494)	(21,037)
Net income	70,126	77,276
Total changes during the period	58,631	56,238
Balance at the end of current period	¥ 124,806	¥ 181,044
Total retained earnings:		
Balance at the end of previous period	¥ 66,174	¥ 126,722
Changes of items during the period:		
Dividends	(9,579)	(17,531)
Net income	70,126	77,276
Total changes during the period	60,547	59,744
Balance at the end of current period	¥ 126,722	¥ 186,466
Total shareholders' equity:		
Balance at the end of previous period	¥1,066,218	¥1,126,766
Changes of items during the period:		
Dividends	(9,579)	(17,531)
Net income	70,126	77,276
Total changes during the period	60,547	59,744
Balance at the end of current period	¥1,126,766	¥1,186,511

	2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)
Valuation and translation adjustments:		
Net unrealized gains (losses) on securities:		
Balance at the end of previous period	¥ 6,537	¥ 42,599
Changes of items during the period:		
Net changes of items other than shareholders' equity	36,062	(21,420)
Total changes during the period	36,062	(21,420)
Balance at the end of current period	¥ 42,599	¥ 21,179
Total net unrealized gains (losses) on securities:		
Balance at the end of previous period	¥ 6,537	¥ 42,599
Changes of items during the period:		
Net changes of items other than shareholders' equity	36,062	(21,420)
Total changes during the period	36,062	(21,420)
Balance at the end of current period	¥ 42,599	¥ 21,179
Total net assets:		
Balance at the end of previous period	¥1,072,756	¥1,169,366
Changes of items during the period:		
Dividends	(9,579)	(17,531)
Net income	70,126	77,276
Net changes of items other than shareholders' equity	36,062	(21,420)
Total changes during the period	96,610	38,323
Balance at the end of current period	¥1,169,366	¥1,207,690

4 Statements of Cash Flows

(Millions of yen)

	2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)
Cash flows from operating activities:		
Net income before income taxes	¥ 110,343	¥ 121,811
Depreciation	40,996	36,786
Increase (decrease) in reserve for outstanding claims	(33,801)	(110,871)
Increase (decrease) in policy reserves	(5,384,121)	(4,252,336)
Interest portion of reserve for policyholders' dividends	21,483	17,765
Provision for reserve for policyholders' dividends	294,394	311,922
Increase (decrease) in allowance for doubtful accounts	142	148
Increase (decrease) in reserve for possible claims payment	6,914	(4,610)
Increase (decrease) in reserve for employees' retirement benefits	480	1,573
Increase (decrease) in reserve for directors' retirement benefits	34	35
Increase (decrease) in reserve for price fluctuations	(25,173)	(11,734)
Interest, dividends and other income	(1,616,041)	(1,579,689)
Losses (gains) on money held in trust	(38,799)	(15,714)
Losses (gains) related to securities	16,462	(25,008)
Interest expenses	2,866	2,040
Losses (gains) on derivatives	204	178
Foreign exchange losses (gains)	915	2,035
Losses (gains) related to tangible fixed assets	65	177
Losses on disaster	—	26
Net decrease (increase) in agency accounts receivable	(15,367)	(16,409)
Decrease (increase) in other investing and financing activities assets	(9,254)	(32,591)
Net increase (decrease) in reinsurance accounts payable	15	(30)
Increase (decrease) in other investing and financing activities liabilities	(168,717)	(42,661)
Others	(936)	76
Subtotal	(6,796,893)	(5,597,078)
Interest and dividends income received	1,776,776	1,696,481
Interest expenses paid	(2,883)	(2,041)
Dividends to policyholders paid	(397,653)	(374,860)
Income taxes paid	(20,192)	(117,413)
Net cash provided by (used in) operating activities	**(5,440,846)**	**(4,394,912)**
Cash flows from investing activities:		
Payments for purchase of call loans	(30,031,989)	(31,157,189)
Proceeds from redemption of call loans	30,138,358	30,915,389
Payments for purchase of monetary claims bought	(3,500)	(62,296)
Proceeds from sales and redemption of monetary claims bought	—	29,997

	2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)
Payments for increase in money held in trust	—	(123,700)
Proceeds from decrease in money held in trust	290,030	64,476
Payments for purchase of securities	(12,267,218)	(10,694,031)
Proceeds from sales and redemption of securities	15,186,248	13,649,563
Payments for loans	(2,668,111)	(2,350,817)
Proceeds from collection of loans	4,749,354	4,063,828
Net increase (decrease) in receivables/payables under securities borrowing transactions	(57,869)	(18,527)
Others	167,892	(113,553)
Total of net cash provided by (used in) investment transactions	5,503,195	4,203,140
Total of net cash provided by (used in) operating activities and investment transactions as above	**¥ 62,348**	**¥ (191,771)**
Payments for purchase of tangible fixed assets	¥ (5,259)	¥ (3,471)
Proceeds from sales of tangible fixed assets	2	2
Payments for purchase of intangible fixed assets	(38,738)	(37,440)
Others	(349)	8,780
Net cash provided by (used in) investing activities	**5,458,850**	**4,171,012**
Cash flows from financing activities:		
Proceeds involved in sale and lease-back transaction	229	—
Repayment for lease obligations	—	(254)
Dividends paid	(9,579)	(17,531)
Net cash provided by (used in) financing activities	**(9,349)**	**(17,785)**
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	**8,653**	**(241,685)**
Cash and cash equivalents at beginning of period	**2,279,210**	**2,287,864**
Cash and cash equivalents at end of period	**¥ 2,287,864**	**¥ 2,046,178**

5 Notes to Financial Statements

Note: Amounts of less than one million yen have been truncated. As a result, yen totals shown herein do not necessarily agree with the sum of the individual amounts.

1. Summary of Significant Accounting Policies

(1) Securities

Securities (including those securities that are included in 'deposits' and 'monetary claims bought' and deemed equivalent to securities) are classified and accounted for as follows:

(i) Held-to-maturity securities are stated at amortized cost using the moving-average method (straight-line method).

(ii) Policy reserve-matching bonds (in accordance with Industry Audit Committee Report No.21, "Temporary Treatment of Accounting and Auditing Concerning Policy Reserve-matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants) are stated at amortized cost using the moving-average method (straight-line method).

(iii) Available-for-sale securities

a. Available-for-sale securities with market value

Available-for-sale securities which have market value are valued at market value at the end of the fiscal year, with cost determined by the moving-average method.

b. Available-for-sale securities whose maket values are extremely difficult to be recognized

• Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment

Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment, are valued at the amortized cost, determined by the moving-average method.

• Others

All others are valued at cost using the moving-average method.

Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the statements of income.

(2) Money held in trust

Securities which are part of money held in trust (other than for trading purpose, held-to-maturity purpose and policy-reserve matching) are stated at market value at the end of the fiscal year. Note that the values of shares are determined using the average market price over the past one month.

Property which is part of trust assets is stated net of accumulated depreciation. Buildings are depreciated by the straight-line method and components of property other than buildings are depreciated by the declining-balance method.

The net unrealized gains or losses with respect to money held in trust is directly charged to net assets.

(3) Derivatives

Derivatives are stated at market value.

(4) Depreciation/amortization of tangible fixed assets

Tangible fixed assets are depreciated as follows:

Buildings: Straight-line method

Others: Declining-balance method

Lease assets with respect to non-ownership-transfer finance leases:

Straight-line method over the lease term

(5) Depreciation/amortization of intangible fixed assets

Intangible fixed assets are amortized as follows:

Software: Straight-line method over the prescribed useful lives

(6) Foreign currency

Foreign currency assets and liabilities are translated into yen at the foreign exchange rates prevailing on the end of the fiscal year.

Also foreign currency-denominated assets and liabilities with a significant fluctuation in exchange rates as set forth in the Corporation Tax Law, and justified that those will not be recovered, are converted into Japanese yen at the exchange rates prevailing on the end of the fiscal year.

(7) Allowance and reserve

(i) Allowance for doubtful accounts

Japan Post Insurance's allowance for doubtful accounts is provided pursuant to its standards for self-assessment of asset quality, and general allowance is provided using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectability of accounts, are provided for.

For all loans and claims, the relevant department in Japan Post Insurance performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2011 was ¥73 million.

(ii) Reserve for possible claims payment

In order to provide for additional insurance claims with potential for accrual, allowance of additional insurance claims are set aside by estimated additional amounts, based on the result of the investigation of whether there are some cases in which additional insurance claims should be paid.

(iii) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits is recorded in the amount which is considered to have accrued in the current fiscal year in line with the "Statement of Opinion on the Establishment of Accounting Standard for Retirement Benefits," issued by the Business Accounting Council on June 16, 1998.

(iv) Reserve for directors' retirement benefits

Reserve for directors' retirement benefits is recorded in an actual amount recognized at the current year-end based on the Company's regulations in accordance with "Auditing Treatment relating to Reserve Defined under the Special Taxation Measurement Law, Reserve Defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits" (revised by JICPA on April 13, 2007).

(8) Reserve for price fluctuations

Pursuant to requirements under Article 115 of the Insurance Business Law, the Company maintains a reserve for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations.

(9) Hedge accounting

(i) Methods for hedge accounting

The fair value hedge method is used for hedges by foreign currency forward contracts against exchange rate fluctuations in the value of foreign currency-denominated securities.

The special treatment for interest rate swaps is applied for hedges of general loans only where the interest rate swaps satisfy the requirements for hedge accounting.

(ii) Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign currency forward contracts	Foreign currency-denominated securities
Interest rate swaps	General loans

(iii) Hedging policies

Japan Post Insurance conducts hedging transactions with regard to certain foreign currency risks of underlying bonds in foreign currency to be hedged and interest rate risks of underlying loans in foreign currency to be hedged.

(iv) Assessment of hedge effectiveness

Hedge effectiveness is assessed by a comparison of fluctuations in fair values (or cash flows) of hedged and hedging instruments.

However, Japan Post Insurance omits the assessment of hedge effectiveness for foreign currency forward contracts, which show strong correlations between hedged items and hedging instruments, and interest rate swaps, to which special accounting treatment is applied for interest rate swaps.

(10) Definition of cash in statement of cash flows

Cash and cash equivalents, for the purpose of reporting cash flows, are composed of cash in hand and deposits held at call with banks.

(11) Other important assumptions for financial statements

(i) Reserve for outstanding claims

In accordance with Ordinance No.49 issued by the Financial Services Agency in 2011 concerning Article 73, Paragraph 1, Item 2 of Enforcement Regulations of the Insurance Business Law, the amount of reserve for outstanding claims is additionally accumulated to pay claims related to the Great East Japan Earthquake.

(ii) Policy reserve:

A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Law. A policy reserve is recognized by performing a calculation based on the following methodology:

a. Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the

Minister for Finance Services (ordinance No.48 issued by the Ministry of Finance in 1996).

b. Reserve for other contracts are computed based on the net level premium method.

Pursuant to Article 69-5 of the Enforcement of the Insurance Business Law, effective from the fiscal year ended March 31, 2011, additional policy reserves are being accumulated over a 10-year period for a portion of reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance. Accordingly, ¥160,759 million was set aside in the fiscal year ended March 31, 2011. On the other hand, contingency reserves were reversed by an equivalent amount and appropriated to such additional policy reserves. Thus, there was no impact on net ordinary income and income before income taxes.

(iii) Consumption tax with respect to the accounting of consumption tax and local consumption tax:
All figures are net of consumption tax.

(iv) Consolidated tax payment system:
The consolidated tax payment system is adopted with Japan Post Holdings Co., Ltd. as the parent company.

2. Change in Significant Accounting Policy
"Accounting Standard for Asset Retirement Obligations"
Effective as of the fiscal year ended March 31, 2011, Japan Post Insurance has adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ), Statement No.18; March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21; March 31, 2008).
There was no material impact on net ordinary income and income before income taxes as a result of this change.

3. Notes to Balance Sheets

(1) As for consumption loan contracts, the balance sheet amount of securities (Japanese government bonds) lent in securities borrowing and lending transactions with cash collateral is ¥50,236 million and the carrying amount of cash collateral for these securities borrowing and lending transactions is ¥53,772 million at book value.

(2) The amount of securities in trust established to engage in securities lending transactions for income is ¥2,008,336 million.
Under the securities indenture, the amount of securities lent in securities borrowing and lending transactions with cash collateral is ¥1,386,996 million and the carrying amount of cash collateral for these securities borrowing and lending transactions is ¥1,423,838 million at book value.
On the other hand, the amount of holding securities out of that borrowed in securities borrowing and lending transactions with cash collateral is ¥1,263,866 million at market value.

(3) Carrying value, market value and risk management policy for policy reserve-matching bonds are as follows:
(i) The carrying value of policy reserve-matching bonds on the balance sheet is ¥30,152,441 million and the market value is ¥31,154,718 million.
(ii) Risk management policy for policy reserve-matching bonds is as follows;
Japan Post Insurance has set up sub-categories according to the characteristics of the insurance contracts. The durations of the bonds earmarked for policyholders and those of policy reserves in each subcategories are matched within a fixed range to manage interest rate fluctuation risk. The durations of the policy reserve-matching bonds and the policy reserves in each sub-categories are periodically ascertained.

(4) Accumulated depreciation on tangible fixed assets is ¥48,450 million.

(5) Total amount of monetary assets to related parties is ¥91 million and total amount of monetary liabilities to related parties is ¥74,568 million.

(6) The following shows changes in reserve for policyholders' dividends:

(Millions of yen)

Balance at the end of previous fiscal year	¥2,677,965
Dividend to policyholders paid during the year	¥374,860
Increase due to interest accrued during the year	¥17,765
Decrease due to purchasing additional benefit contracts	¥587
Provision for reserve for policyholders' dividends	¥311,922
Balance at the end of the current fiscal year	¥2,632,205

(7) In accordance with Article 259 of the Insurance Business Law, the amounts of future contributions to the Life Insurance Policyholders Protection Corporation of Japan are estimated to be ¥5,418 million at the end of the current fiscal year.
The contribution amounts are recognized as operating expenses at the time of payment.

(8) Policy reserves (except for the contingency reserve) which related to the reinsurance contracts undertaken by the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, amounted to ¥77,983,715 million. The amount is calculated in accordance with the calculation method prescribed by the Company for the premiums and policy reserves, and thus it exceeds the amount calculated according to the method prescribed in the calculation rule on policy reserves for Postal Life Insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No.101, 2005).
Japan Post Insurance has also booked a contingency reserve of ¥2,826,992 million and a reserve for price fluctuations of ¥401,597 million for these reinsurance contracts.

(9) "Deposits received from Management Organization for Postal Savings and Postal Life Insurance" as stated on the balance sheet is equivalent to the indemnification and litigation reserve which was previously accounted for by the Management Organization for Postal Savings and Postal Life Insurance and was transferred to Japan Post Insurance at the time of privatization, as stipulated under the insurance business consignment agreement with the Management Organization for Postal Savings and Postal Life Insurance.

4. Notes to Statements of Income

(1) Revenue from related parties' transactions amounted to ¥14 million, while expenses are ¥7,769 million.

(2) Gains on sales of securities consisted of ¥56,996 million on sales of Japanese government bonds and other bonds and ¥9,971 million on sales of foreign securities.

(3) Losses on sales of securities consisted of ¥2,040 million on sales of Japanese government bonds and other bonds and ¥22,924 million on sales of foreign securities.

(4) Losses on valuation of securities consisted of ¥16,970 million in foreign securities.

(5) Gains on money held in trust include impairment losses of ¥1,104 million.

(6) Insurance premiums include premiums of ¥3,954,740 million for accepted reinsurance paid by the Management Organization for Postal Savings and Postal Life Insurance in accordance with an reinsurance contract concluded with Japan Post Insurance.

(7) Insurance claims include an insurance payment of ¥12,052,079 million to the Management Organization for Postal Savings and Postal Life Insurance under the reinsurance contract concluded with Japan Post Insurance.

(8) Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, ¥311,922 million is provided for reserve for policyholders' dividends based on the performance of the segment related to reinsurance.

5. Notes to Statements of Changes in Net Assets

(1) Information concerning type and number of outstanding shares:

(Thousands of shares)

	Number of shares as of the previous fiscal year-end	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares as of the fiscal year-end
Shares issued				
Common stock	20,000	—	—	20,000

(2) Matters concerning dividends
Dividends paid applicable to the current fiscal year:

Date of resolution	Type of shares	Total amount of shareholder dividends (Millions of yen)	Shareholder dividends per share (Yen)	Record date	Effective date
Board meeting held on May 13, 2010	Common stocks	¥17,531	¥876.58	March 31, 2010	May 14, 2010

6. Notes to Statements of Cash Flows
Relationship between cash and cash equivalents at the end of the period and amounts in categories on the balance sheet:

	(Millions of yen)
Cash and deposits	¥2,046,178
Cash and cash equivalents	¥2,046,178

7. Deferred Tax Assets and Liabilities

Significant components of deferred tax assets and liabilities of Japan Post Insurance as of March 31, 2011 are summarized below:

	(Millions of yen)
Deferred tax assets:	
Policy reserves	¥199,665
Reserve for outstanding claims	65,817
Reserve for price fluctuations	27,277
Reserve for employees' retirement benefits	20,176
Net unrealized gains (losses) on available-for-sale securities	15,783
Accrued enterprise tax	2,267
Deferred consumption tax and other	1,646
Others	6,205
Subtotal	338,839
Valuation allowance	(712)
Total deferred tax assets	¥338,126
Deferred tax liabilities:	
Net unrealized gains (losses) on available-for-sale securities	¥(27,805)
Others	(540)
Total deferred tax liabilities	¥(28,345)

8. Financial Instruments

(1) Financial instruments

(i) Policies in utilizing financial instruments

In our asset management, to maintain sound management and to ensure payments of insurance claims and other benefits, we structure a long-term yen-rate asset portfolio taking into characteristics of liabilities and promote the cash flow matching between assets and liabilities. Also, we address the strengthening of the risk management system, and on the other hand, from the point of view of increasing profitability, we work on investments in yen-denominated assets of local government bonds, corporate bonds and so on, which can be expected to have a relatively higher yield than Japanese government bonds.

We position derivatives as principal hedging instruments for foreign currency risk and interest rate risk associated with operating assets, and we use derivatives only to hedge their risks but don't use them for speculation purposes.

(ii) Financial instruments used and their risks

The financial assets held by Japan Post Insurance are principally securities and loans and these held under ALM. Securities of them are exposed to credit risks with regards to the issue, market fluctuation risks and interest rate risks. Additionally foreign currency-denominated bonds of these securities are exposed to foreign currency risks. Also, we hold loans with variable interest rates and they are exposed to interest rate risks.

Principal derivatives which are used by Japan Post Insurance are foreign currency forward contracts and interest rate swaps. We position these derivatives as principal hedging instruments for foreign currency risk, and interest rate risk and we use derivatives only to hedge their risks but don't use them for speculation purposes. As a result, market-related risks in derivative transactions are offset by the effect of these hedges and their risks are limited.

(iii) Risk management

a. Market risk management

• Market fluctuation risk

Japan Post Insurance sets a policy of investment that is based on stable management by investing in yen-interest assets centering on Japanese government bonds and thereby market fluctuation risks associated with investment to securities except for held-to-maturity and available-for-sale securities are limited. In control of market fluctuation risks, the Risk Management Department calculates and controls the amount of market fluctuation risks with VaR, based on internal rules for control of market risks, and periodically reports to the Risk Management Committee.

• Foreign currency risk

As described above, we invest mainly among yen-interest assets, and therefore, foreign currency risks for investing in foreign currency-denominated assets are limited. The Risk Management Department calculates and controls the amount of foreign currency risks with VaR, based on internal rules for control of market risks, and periodically reports to the Risk Management Committee. Also, we conduct foreign currency forward contracts at the time of purchase of some foreign currency-denominated bonds and adopt hedge accounting, and accordingly, foreign currency risks for these bonds are avoided.

• Interest rate risk

We reduce interest rate risks by asset management based on ALM. The Risk Management Department calculate and controls the amount of interest rate risks with VaR taking cash flow of liabilities into consideration, based on internal rules for control of market risks, and periodically reports to the Risk Management Committee.

• Derivative transactions

We set up the rule that we use derivatives only to hedge risks but do not use them for speculation purposes. Also we control risks by setting up a credit limit for each counterparty, and when we make a selection of a counterparty, we assign a counterparty able to be judge that it maintain, a good credit rating taking internal rating into consideration. The Risk Management Department calculates and controls amount of market fluctuation risks associated with derivatives and periodically reports to the Risk Management Committee.

b. Credit risk management

We assign an internal rating to each counterparty or individual transaction, based on internal rules for control of credit risks, and we recognize and control credit risks by calculating the amount of credit risks with VaR. In addition, in order to prevent particular companies, business groups and categories of business from having too much credit risks, we control credit risks by setting up credit limits for each company, business group and category of business.

The amount of credit risks is calculated and controled by the Risk Management Department. On the other hand, internal ratings are assigned and credit risks for each counterparty or individual transaction based on credit limits are controlled by the Credit Department. These management conditions are periodically reported to the Risk Management Committee.

(iv) Supplementary explanation for fair values of financial instruments

We determine the market value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

(2) Fair values of financial instruments

Carrying value on the balance sheet, fair value and differences between carrying value and fair value as of March 31, 2011 are as follows.

(Millions of yen)

	Carrying amount	Fair value	Differences
Cash and deposits:			
Available-for-sale securities	¥ 940,000	¥ 940,000	¥ —
Total cash and deposits	2,046,178	2,046,178	—
Monetary claims bought:			
Available-for-sale securities	40,698	40,698	—
Total monetary claims bought	40,698	40,698	—
Money held in trust:			
Monetary trusts other than trading, held-to-maturity and policy reserve-matching purpose	225,365	225,365	—
Total money held in trust	225,365	225,365	—
Securities:			
Held-to-maturity bonds	41,032,112	42,237,648	1,205,535
Policy reserve-matching bonds	30,152,441	31,154,718	1,002,276
Available-for-sale securities	5,848,509	5,848,509	—
Total securities	77,033,062	79,240,875	2,207,812

Loans:			
Policy loans	10,060	10,060	—
General loans	461,098		
Allowance for doubtful accounts (*1)	(40)		
Total general loans	461,057	475,320	14,262
Loans to Management Organization for Postal Savings and Postal Life Insurance	14,076,339	14,998,939	922,599
Total loans	14,547,458	15,484,321	936,862
Total assets	¥93,892,763	¥97,037,438	¥3,144,675
Payable under securities lending transactions	¥1,477,611	¥1,477,611	¥ —
Total liabilities	¥1,477,611	¥1,477,611	¥ —
Derivative transactions (*2)	¥[1,379]	¥[1,379]	¥ —
Hedge accounting not applied	—	—	—
Hedge accounting applied	[1,379]	[1,379]	—
Total derivative transactions	¥[1,379]	¥[1,379]	¥ —

(*1) Excluding general reserves for possible loan losses related to general loans.
(*2) Credits/debts from derivative transactions are net base. Figures in [ ] are net debts.

(Note 1) Notes to methods for calculating fair values of financial instruments transactions

• Assets

(1)Cash and deposits
Cash and deposits, which treated as securities based on Accounting Standard for Financial Instruments and its the Implementation Guidance (ASBJ Statement No.10), is evaluated by similar method to "(4) Securities." As for other cash and deposits without maturity, market value is based on carrying value since market value is close to carrying value. As for cash and deposits with maturity, market value is based on carrying value since time to maturity is short term (within 1 year) and market value is close to carrying value.

(2)Monetary claims bought
Monetary claims bought, which treated as securities based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No.10), is evaluated by a method similar to "(4) Securities."

(3)Money held in trust
As for the composition of trust assets in money held in trust, market value is based on market value at the end of the fiscal year (in the case of shares, the average market price over the past one month). As for property which is part of trust assets, market value is based on the carrying value.
Notes pertaining to money held in trust are included in the section "8. Money Held in Trust" by purpose held.

(4)Securities
Market value is based on market value at the end of the fiscal year.
In addition, unlisted shares without a market price are not concluded in securities measured at fair value since it is extremely difficult to recognize these market values. Carrying amount of these unlisted shares without market price as of March 31, 2011 is ¥140,000 million.
Notes pertaining to bonds are included in the section "7. Securities" by purpose held.

(5)Loans
As for policy loans and policy loans for Postal Life Insurance policies included in loans to Management Organization for Postal Savings and Postal Life Insurance, market value is based on carrying value since it is assumed that market value is close to carrying value, due to properties such as the amount of these policy loans is limited within cash surrender values, to short average loan periods and to conditions of interest rates.
As for loans with floating interest rates in general loans, market value is based on carrying value since it is assumed that market value is close to carrying value, due that future cash flow for these loans are reflected by market interest rate over the short term.
As for loans with fixed interest rates in general loans and loans to Management Organization for Postal Savings and Postal Life Insurance (except for policy loans), market value is based on present value discounted future cash flow.
In addition, we have no loans to obligors in failure, substantially failure and danger of failure.

• Liabilities

(1)Payable under securities lending transactions
As for payable under securities lending transactions, market value is based on carrying value since the transaction period is short term (within 1 year) and market value is close to carrying value.

• Derivative Instruments

(1)As for forward exchange rates, market value is based on futures quotation at the end of the fiscal year.
(2)As for interest rate swaps to which the special treatment is applied for interest rate swaps, because these swaps and general loans being hedged are treated as a unit, figures of market value for these swaps are included in one for general loans being hedged.

(Note 2) Scheduled redemptions of principal money held in trust and securities with maturities

(Millions of yen)

	Due within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and deposits with maturities	¥ 940,000	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	30,000	—	—	—	—	10,400
Securities	8,191,580	13,134,632	14,545,030	13,530,835	8,039,064	19,070,447
Held-to-maturity bonds	1,847,100	6,860,345	6,467,791	6,165,311	5,221,515	14,321,600
Policy reserve-matching bonds	4,076,841	5,600,389	7,273,700	6,698,559	2,015,577	4,249,500
Available-for-sale securities with maturities	2,267,638	673,897	803,538	666,963	801,971	499,347
Loans	2,369,536	2,217,480	2,017,012	1,804,918	2,259,182	3,878,716
Total assets	¥ 11,531,116	¥ 15,352,112	¥ 16,562,043	¥ 15,335,753	¥ 10,298,246	¥ 22,959,563

(Note 3) Scheduled maturities of payable under securities lending transactions

(Millions of yen)

	Due within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Payable under securities lending transactions	¥ 1,477,611	¥ —	¥ —	¥ —	¥ —	¥ —
Total liabilities	¥ 1,477,611	¥ —	¥ —	¥ —	¥ —	¥ —

9. Securities
(1) Trading securities (As of March 31, 2011):
None
(2) Held-to-maturity bonds (As of March 31, 2011):

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Japanese government bonds	¥31,475,874	¥32,532,124	¥1,056,249
Japanese local government bonds	3,603,094	3,755,813	152,718
Japanese corporate bonds	1,750,130	1,843,328	93,197
Foreign securities	59,000	59,389	389
Others	—	—	—
Subtotal	36,888,099	38,190,655	1,302,555
Items with fair value not exceeding carrying amount:			
Japanese government bonds	2,864,728	2,783,975	(80,752)
Japanese local government bonds	1,106,508	1,092,240	(14,268)
Japanese corporate bonds	133,775	131,948	(1,827)
Foreign securities	39,000	38,828	(171)
Others	—	—	—
Subtotal	4,144,012	4,046,992	(97,019)
Total	¥41,032,112	¥42,237,648	¥1,205,535

(3) Policy reserve-matching bonds (As of March 31, 2011):

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Japanese government bonds	¥25,823,355	¥26,792,258	¥ 968,903
Japanese local government bonds	1,369,290	1,410,634	41,344
Japanese corporate bonds	1,111,490	1,131,658	20,167
Foreign securities	—	—	—
Others	—	—	—
Subtotal	28,304,135	29,334,551	1,030,415
Items with fair value not exceeding carrying amount:			
Japanese government bonds	1,848,305	1,820,166	(28,138)
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Foreign securities	—	—	—
Others	—	—	—
Subtotal	1,848,305	1,820,166	(28,138)
Total	¥30,152,441	¥31,154,718	¥1,002,276

(4) Investments in subsidiaries and affiliates (As of March 31, 2011):
None
(5) Available-for-sale securities (As of March 31, 2011):

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Stocks	¥ —	¥ —	¥ —
Corporate and government bonds			
Japanese government bonds	1,387,426	1,390,868	3,442
Japanese local government bonds	36,334	36,378	44
Japanese corporate bonds	2,289,057	2,355,988	66,931
Subtotal	3,712,817	3,783,235	70,417
Foreign securities	76,067	77,987	1,920
Others (*1)	8,100	8,406	306
Total	3,796,984	3,869,628	72,643
Items with fair value not exceeding carrying amount:			
Stocks	—	—	—
Corporate and government bonds			
Japanese government bonds	699,957	699,904	(53)
Japanese local government bonds	140,662	140,528	(133)
Japanese corporate bonds	748,820	739,138	(9,681)
Subtotal	1,589,440	1,579,571	(9,868)
Foreign securities	433,279	407,714	(25,564)
Others (*1)	972,300	972,291	(8)
Total	2,995,019	2,959,578	(35,440)
Grand total	¥6,792,004	¥6,829,207	¥37,202

(*1) "Others" contains securities treated as "securities" based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No.10).
(*2) Impairment losses for available for-sale-securities amounted to ¥16,970 million.

(6) Held-to-maturity bonds sold during the fiscal year (From April 1, 2010 to March 31, 2011):
None
(7) Policy reserve-matching bonds sold during the fiscal year (From April 1, 2010 to March 31, 2011):

(Millions of yen)

	Proceeds from sale	Total profits on sale	Total losses on sale
Japanese government bonds	¥2,153,670	¥55,458	¥2,033
Total	¥2,153,670	¥55,458	¥2,033

(8) Available-for-sale securities sold during the fiscal year (From April 1, 2010 to March 31, 2011):

(Millions of yen)

	Proceeds from sale	Total profits on sale	Total losses on sale
Corporate and government bonds			
Japanese government bonds	¥247,532	¥ 1,538	¥ 6
Subtotal	247,532	1,538	6
Foreign securities	194,558	9,971	22,924
Total	¥442,090	¥11,510	¥22,931

(9) Reclassified securities (From April 1, 2010 to March 31, 2011)
None

10. Money Held in Trust
(1) Money held in trust for trading purposes (As of March 31, 2011):
None
(2) Money held in trust classified as held-to-maturity and policy reserves (As of March 31, 2011):
None

(3) Other money held in trust (As of March 31, 2011):

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference	Amounts that balance sheet amount was more than acquisition cost of the difference	Amounts that balance sheet amount was not more than acquisition cost of the difference
Other money held in trust	¥229,367	¥225,365	¥(4,001)	¥ 4,145	¥ 8,147

Note: Impairment losses on other money held in trust amounted to ¥1,104 million.
The losses on domestic equities composed of those are considered impaired if the average market rate during the month prior to the fiscal year-end declines by 30% or above.

11. Reserve for Employees' Retirement Benefits

(1) Overview of employees' retirement benefit plan

Japan Post Insurance has established and maintains a benefit plan consisting of retirement lump sum grants.

(2) Funding status of employees' retirement benefits of the Company

(Millions of yen)

	As of March 31, 2011
Projected benefit obligations	¥(52,827)
Unfunded benefit obligations	(52,827)
Unrecognized actuarial differences	(2,894)
Net amount recognized on the non-consolidated balance sheet	(55,721)
Reserve for employees' retirement benefits	¥(55,721)

(3) Retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2011
Service cost	¥3,113
Interest cost	917
Amortization of unrecognized actuarial differences	(28)
Retirement benefit expenses	¥4,002

(4) Assumptions

	As of March 31, 2011
Method of periodic allocation of benefit obligations	straight-line method
Discount rate	1.7%
Amortization period for actuarial differences	14 years

12. Per Share Information

(Yen)

	Fiscal year ended March 31, 2011
Net assets per share	¥60,384.51
Net income per share	¥ 3,863.81

Note: Net income per share after adjustment for potential effect is not presented as no potential securities exist.

13. Subsequent Events

There were no significant subsequent events for the year ended March 31, 2011.