Data Compilation

Financial Data

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Note: Figures have been truncated without rounding.

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Consolidated ordinary income	10,097,968	19,961,705	18,773,630	17,468,947	16,661,440
Consolidated net ordinary income	438,739	830,565	1,007,260	956,917	1,176,860
Consolidated net income	277,290	422,793	450,220	418,929	468,907
Consolidated comprehensive income	—	—	—	410,132	973,067
Consolidated net assets	8,311,433	8,746,172	9,625,962	9,999,952	10,935,358
Consolidated total assets	327,588,290	305,894,430	298,571,321	292,933,013	292,126,555
Consolidated capital adequacy ratio (domestic standard)	60.91%	67.62%	69.77%	61.30%	57.70%
Consolidated solvency margin ratio	—	—	—	—	1,592.5%

Notes: 1. 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).
2. The consolidated solvency margin ratio is calculated from the current fiscal year in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

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

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Operating income	132,904	303,099	317,087	305,878	287,633
Net operating income	34,369	107,173	144,339	140,752	133,264
Net ordinary income	37,824	109,919	147,179	143,466	135,773
Net income	42,598	109,026	145,389	153,622	151,404
Net assets	8,046,551	8,147,114	8,265,323	8,382,804	8,496,547
Total assets	9,705,592	9,525,259	9,625,504	9,648,973	9,747,186

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

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Operating income	615,880	1,293,229	1,263,975	1,256,349	1,208,447
Net operating income	7,517	68,375	52,173	49,548	33,417
Net ordinary income	18,535	83,880	62,439	58,260	42,745
Net income	4,678	40,843	32,981	30,661	18,826
Net assets	204,678	244,352	267,122	289,538	300,700
Total assets	3,286,487	3,256,547	3,252,318	3,249,823	3,120,978

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

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Operating income	1,053,676	1,865,282	1,813,048	1,779,870	1,764,861
Net operating income	103,773	44,888	42,779	(103,473)	(22,354)
Net ordinary income	113,763	58,974	56,997	(89,093)	(10,007)
Net income	69,487	29,812	(47,493)	(35,435)	(4,525)
Net assets	269,487	281,928	226,981	191,546	187,020
Total assets	2,149,599	2,050,151	1,963,440	1,863,433	1,851,928

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

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Ordinary income (Revenues)	1,328,904	2,488,552	2,207,942	2,205,344	2,234,596
Net ordinary income	256,171	385,243	494,252	526,550	576,215
Net income	152,180	229,363	296,758	316,329	334,850
Net assets	8,076,855	8,179,574	8,839,547	9,093,634	9,818,162
Total assets	212,149,182	196,480,796	194,678,352	193,443,350	195,819,898
Capital adequacy ratio (non-consolidated, domestic standard)	85.90%	92.09%	91.62%	74.82%	68.39%

Note: The capital adequacy ratio (non-consolidated, 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, 2006).

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

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Ordinary income	7,686,842	15,533,727	14,591,640	13,375,468	12,538,618
Net ordinary income	11,991	214,285	379,623	422,207	531,388
Net income	7,686	38,316	70,126	77,276	67,734
Net assets	904,250	1,072,756	1,169,366	1,207,690	1,292,077
Total assets	112,524,670	106,577,963	100,969,782	96,786,765	93,688,672
Solvency margin ratio	— 1,116.3%	— 1,429.7%	— 1,663.9%	1,153.9% 1,821.6%	1,336.1% —

Note: The upper figures on solvency margin ratio are based on the standards applied from March 31, 2012 and the lower figures are prior to the application of these standards.

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, 2012 and 2011 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 Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

Consolidated Balance Sheets

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets		
Cash and due from banks	¥ 8,337,805	¥ 5,003,547
Call loans	1,025,352	1,804,004
Receivables under securities borrowing transactions	5,750,045	7,751,717
Monetary claims bought	173,912	109,458
Trading account securities	282	216
Money held in trust	2,032,133	3,958,193
Securities	252,377,011	250,715,496
Loans	18,786,271	18,063,587
Foreign exchanges	4,735	2,630
Other assets	999,885	1,155,007
Tangible fixed assets	2,765,694	2,753,564
Buildings	1,072,587	1,027,947
Land	1,453,785	1,451,779
Construction in progress	54,643	104,017
Other tangible fixed assets	184,677	169,820
Intangible fixed assets	237,005	238,817
Software	220,337	222,112
Other intangible fixed assets	16,667	16,704
Deferred tax assets	310,830	371,261
Customers’ liabilities for acceptances and guarantees	110,000	160,000
Allowance for doubtful accounts	(8,553)	(8,223)
Contribution to society and community funds assets	30,598	47,275
Total Assets	**¥ 292,933,013**	**¥ 292,126,555**

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Liabilities		
Deposits	¥ 173,589,158	¥ 174,434,011
Policy reserves	92,817,891	88,651,016
Reserve for outstanding claims	1,020,922	995,735
Policy reserve	89,164,763	85,143,840
Reserve for policyholders’ dividends	2,632,205	2,511,441
Payables under securities lending transactions	9,561,472	10,744,316
Foreign exchanges	178	152
Other liabilities	2,673,374	2,856,111
Reserve for employees’ bonuses	89,362	89,391
Reserve for employees’ retirement benefits	3,490,999	3,381,516
Reserve for directors’ retirement benefits	598	832
Reserve under the special laws	409,674	458,215
Reserve for price fluctuations in security investments	409,674	458,215
Deferred tax liabilities	190,351	415,631
Acceptances and guarantees	110,000	160,000
Total Liabilities	**¥ 282,933,060**	**¥ 281,191,197**
Net Assets		
Capital stock	¥ 3,500,000	¥ 3,500,000
Capital surplus	4,503,856	4,503,856
Retained earnings	1,526,711	1,942,074
Total shareholders’ equity	9,530,568	9,945,930
Contribution to society and community funds	45,063	60,204
Valuation and translation adjustments of contribution to society and community funds	337	1,080
Net unrealized gains (losses) on available-for-sale securities	412,489	997,387
Deferred gains (losses) on derivatives under hedge accounting	10,269	(70,589)
Total accumulated other comprehensive income	422,759	926,797
Minority interests	1,224	1,345
Total Net Assets	**¥ 9,999,952**	**¥ 10,935,358**
Total Liabilities and Net Assets	**¥ 292,933,013**	**¥ 292,126,555**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Item	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Ordinary income	**¥ 17,468,947**	**¥ 16,661,440**
Postal service income	1,774,674	1,740,741
Banking service income	2,202,819	2,232,512
Insurance service income	13,374,597	12,538,241
Other ordinary income	116,855	149,945
Ordinary expenses	**16,512,357**	**15,485,113**
Operating expenses	13,921,672	12,965,511
Personnel expenses	2,362,753	2,293,923
Depreciation	204,734	204,569
Other ordinary expenses	23,197	21,108
Income (expenses) from contribution to society and community funds assets	**327**	**533**
Income from contribution to society and community funds assets	328	533
Expenses for contribution to society and community funds assets	0	0
Net ordinary income	**956,917**	**1,176,860**
Extraordinary gains	**13,964**	**4,858**
Gains on sales of fixed assets	188	323
Gain on negative goodwill	8	3,228
Gain on liquidation of subsidiaries and affiliates	—	692
Gains on collection of written-off claims	32	—
Reversal of reserve under the special law	11,734	—
Reversal of reserve for price fluctuations	11,734	—
Other extraordinary gains	2,000	614
Extraordinary losses	**24,160**	**62,241**
Losses on sales and disposal of fixed assets	8,044	6,036
Impairment losses	4,871	5,912
Provision for reserve under the special law	—	48,541
Provision for reserve for price fluctuations	—	48,541
Loss on natural disaster	5,642	—
Other extraordinary losses	5,602	1,750
Provision for reserve for policyholders' dividends	**311,922**	**271,963**
Net income before income taxes and minority interests	**634,798**	**847,514**
Income taxes current	307,087	437,908
Income taxes deferred	(91,339)	(59,422)
Total income taxes	**215,748**	**378,485**
Income before minority interests	**419,049**	**469,028**
Minority interests (losses)	120	121
Net income	**¥ 418,929**	**¥ 468,907**

Consolidated Statements of Comprehensive Income

(Millions of yen)

Item	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Income before minority interests	**¥ 419,049**	**¥ 469,028**
Other comprehensive income	**(8,917)**	**504,038**
Net unrealized gains (losses) on available-for-sale securities	(11,116)	584,898
Deferred gains (losses) on derivatives under hedge accounting	2,199	(80,859)
Total comprehensive income (loss) attributable to:	**¥ 410,132**	**¥ 973,067**
Owners of the parent	410,011	972,946
Minority interests	120	121

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the current 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 beginning of the current 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 beginning of the current fiscal year	¥ 1,159,491	¥ 1,526,711
Changes during the period		
Cash dividends	(36,346)	(38,404)
Net income for the period	418,929	468,907
Contribution to society and community funds	(15,362)	(15,140)
Total changes during the period	367,220	415,362
Balance at the end of the current fiscal year	¥ 1,526,711	¥ 1,942,074
Total shareholders' equity		
Balance at the beginning of the current fiscal year	¥ 9,163,347	¥ 9,530,568
Changes during the period		
Cash dividends	(36,346)	(38,404)
Net income for the period	418,929	468,907
Contribution to society and community funds	(15,362)	(15,140)
Total changes during the period	367,220	415,362
Balance at the end of the current fiscal year	¥ 9,530,568	¥ 9,945,930
Contribution to society and community funds		
Balance at the beginning of the current fiscal year	¥ 29,701	¥ 45,063
Changes during the period		
Net changes other than shareholders' equity	15,362	15,140
Total changes during the period	15,362	15,140
Balance at the end of the current fiscal year	¥ 45,063	¥ 60,204
Valuation and translation adjustments of contribution to society and community funds		
Balance at the beginning of the current fiscal year	¥ 132	¥ 337
Changes during the period		
Net changes other than shareholders' equity	204	743
Total changes during the period	204	743
Balance at the end of the current fiscal year	¥ 337	¥ 1,080

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities		
Balance at the beginning of the current fiscal year	¥ 423,606	¥ 412,489
Changes during the period		
Net changes other than shareholders' equity	(11,116)	584,898
Total changes during the period	(11,116)	584,898
Balance at the end of the current fiscal year	¥ 412,489	¥ 997,387
Deferred gains (losses) on derivatives under hedge accounting		
Balance at the beginning of the current fiscal year	¥ 8,069	¥ 10,269
Changes during the period		
Net changes other than shareholders' equity	2,199	(80,859)
Total changes during the period	2,199	(80,859)
Balance at the end of the current fiscal year	¥ 10,269	¥ (70,589)
Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	¥ 431,676	¥ 422,759
Changes during the period		
Net changes other than shareholders' equity	(8,917)	504,038
Total changes during the period	(8,917)	504,038
Balance at the end of the current fiscal year	¥ 422,759	¥ 926,797
Minority interests		
Balance at the beginning of the current fiscal year	¥ 1,104	¥ 1,224
Changes during the period		
Net changes other than shareholders' equity	119	121
Total changes during the period	119	121
Balance at the end of the current fiscal year	¥ 1,224	¥ 1,345
Total net assets		
Balance at the beginning of the current fiscal year	¥ 9,625,962	¥ 9,999,952
Changes during the period		
Cash dividends	(36,346)	(38,404)
Net income for the period	418,929	468,907
Contribution to society and community funds	(15,362)	(15,140)
Net changes other than shareholders' equity	6,769	520,043
Total changes during the period	373,989	935,406
Balance at the end of the current fiscal year	¥ 9,999,952	¥ 10,935,358

Consolidated Statements of Cash Flows

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities:		
Net income before income taxes and minority interests	¥ 634,798	¥ 847,514
Depreciation	204,734	204,569
Impairment losses	4,871	5,912
Equity in losses (gains) of affiliates	(31)	(29)
Gain on negative goodwill	(8)	(3,228)
Increase (decrease) in reserve for outstanding claims	(110,871)	(25,187)
Increase (decrease) in policy reserve	(4,252,336)	(4,020,923)
Interest on reserve for policyholders' dividends	17,765	13,328
Provision for reserve for policyholders' dividends	311,922	271,963
Increase (decrease) in allowance for doubtful accounts	2,973	(329)
Increase (decrease) in reserve for employees' bonuses	(34,720)	(79)
Increase (decrease) in reserve for employees' retirement benefits	(90,310)	(110,387)
Increase (decrease) in reserve for directors' retirement benefits	16	226
Increase (decrease) in reserve for price fluctuations	(11,734)	48,541
Interest and dividend income-accrual basis	(1,581,320)	(1,542,986)
Interest expenses-accrual basis	2,092	2,002
Interests and dividend income	(2,044,121)	(2,006,939)
Interest expenses	360,685	333,629
Losses (gains) related to securities	30,548	(40,664)
Losses (gains) on money held in trust	(29,464)	(55,672)
Losses (gains) on foreign exchanges	265	32,052
Losses (gains) on sales and disposal of fixed assets	7,782	5,503
Loss on natural disaster	5,642	—
Net (increase) decrease in loans and bills discounted	(217,672)	102,604
Net increase (decrease) in deposits	(1,198,628)	844,852
Proceeds from redemption of deposits to the fiscal loan fund	2,000,000	—
Net increase (decrease) in borrowed money	(2,000,000)	—
Net (increase) decrease in negotiable certificates of deposit	35,000	460,000
Net (increase) decrease in call loans	(176,976)	(738,267)
Net (increase) decrease in receivables under securities borrowing transactions	(1,987,773)	(1,295,432)
Net increase (decrease) in payables under securities lending transactions	1,847,843	218,230
Net (increase) decrease in foreign exchange assets	1,125	2,104
Net increase (decrease) in foreign exchange liabilities	61	(25)
Interests and dividends received	2,232,745	2,196,867
Interest paid	(431,068)	(189,374)
Others	(156,381)	(52,146)
Subtotal	(6,622,545)	(4,491,770)
Interests and dividend income-cash basis	1,698,052	1,472,245
Interest expenses-cash basis	(2,109)	(2,015)
Dividends to policyholders paid	(374,860)	(405,549)
Income taxes paid	(343,602)	(309,341)
Net cash used in operating activities	**(5,645,065)**	**(3,736,431)**

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Cash flows from investing activities:		
Payments for purchase of call loans	(31,157,189)	(30,579,814)
Proceeds from redemption of call loans	30,915,389	30,577,789
Payments for purchase of monetary claims bought	(62,296)	(123,493)
Proceeds from sales and redemption of monetary claims bought	29,997	149,993
Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	(18,527)	258,374
Payments for purchase of securities	(59,154,254)	(66,183,140)
Proceeds from sales of securities	10,842,288	4,251,866
Proceeds from redemption of securities	53,933,186	63,685,936
Payments for increase in money held in trust	(1,248,239)	(3,119,068)
Proceeds from decrease in money held in trust	462,235	1,179,690
Payments for loans	(2,351,320)	(2,068,607)
Proceeds from collection of loans	4,064,348	2,700,460
Payments for purchase of tangible fixed assets	(123,634)	(135,850)
Proceeds from sales of tangible fixed assets	7,373	1,129
Payments for purchase of intangible fixed assets	(81,026)	(71,802)
Payments for share acquisition from minority shareholders	(51)	—
Proceeds from purchase of shares accompanied by change of scope of consolidation	—	2,392
Others	(94,899)	374,922
Net cash provided by investing activities	**5,963,381**	**900,778**
Cash flows from financing activities:		
Proceeds from borrowings	2,818	2,310
Repayments of borrowings	(3,178)	(2,462)
Dividends paid	(36,346)	(38,404)
Proceeds from stock issuance to minority shareholders	49	—
Others	(2,152)	(2,650)
Net cash used in financing activities	**(38,810)**	**(41,207)**
Foreign currency translation adjustments on cash and cash equivalents	**555**	**603**
Net increase (decrease) in cash and cash equivalents	**280,062**	**(2,876,257)**
Cash and cash equivalents at beginning of year	**7,157,542**	**7,437,605**
Cash and cash equivalents at end of year	**¥ 7,437,605**	**¥ 4,561,347**

Basis of Presentation of Consolidated Financial Statements

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries: 16

Principal companies:

Japan Post Network Co., Ltd.
Japan Post Service Co., Ltd.
Japan Post Bank Co., Ltd.
Japan Post Insurance Co., Ltd.

Japan Post Hotel Service Co., Ltd., Japan Post Information Technology Co., Ltd. and Japan Post Insurance System Solutions Co., Ltd. are included in the scope of consolidation from the current fiscal year due to the acquisition of their shares.

Japan Post Building Management Co., Ltd. was newly established and is included in the scope of consolidation from the current fiscal year.

(2) Non-consolidated subsidiaries: 4

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.

(3) Non-consolidated subsidiaries not accounted for by the equity method: 4

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: 16

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 other 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 Co., Ltd. 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 (equipment attached to buildings) 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 transactions that do not transfer 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 provided using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectability of accounts, are recorded.

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.

Regarding foreign-currency-denominated securities, hedged securities are identified beforehand and comprehensive hedges are used for these securities provided there are spot-forward liabilities that exceed acquisition cost on a foreign-currency-denominated basis.

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

(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 Act.

(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 Act. 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 Ordinance for Enforcement of the Insurance Business Act, effective from fiscal 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, which is an incorporated administrative agency. For the current fiscal year, the amount is ¥166,636 million.

4) 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 Presentation

(Concerning the Consolidated Balance Sheets)

Because of its decreased importance, Goodwill (¥8 million in the current fiscal year), which was listed under Assets in the previous fiscal year, is included in Other intangible fixed assets from the current fiscal year. To reflect this change in presentation method, the Company has restated its Consolidated Financial Statements for the previous fiscal year.

As a result, on the Consolidated Balance Sheets for the previous fiscal year, ¥13 million listed as Goodwill and ¥16,654 million listed as Other intangible fixed assets, which are stated under Assets, have been restated as Other intangible fixed assets in the amount of ¥16,667 million.

Additionally, because of its decreased importance, Borrowed money (¥729 million in the current fiscal year) listed under Liabilities in the previous fiscal year, is included in Other liabilities. To reflect this change in presentation method, the Company has restated its Consolidated Financial Statements for the previous fiscal year.

As a result, on the Consolidated Balance Sheets for the previous fiscal year, ¥879 million listed as Borrowed money and ¥2,672,494 million listed as Other liabilities have been restated as Other liabilities in the amount of ¥2,673,374 million.

(Concerning the Consolidated Statements of Income)

Because Gain on negative goodwill included in Other extraordinary gains within Extraordinary gains in the previous fiscal year exceeded 10/100 of total extraordinary gains, this is stated as a separate category from the current fiscal year. To reflect this change in presentation method, the Company has restated its Consolidated Financial Statements for the previous fiscal year.

As a result, on the Consolidated Statements of Income for the previous fiscal year, ¥2,009 million listed as Other extraordinary gains has been restated as ¥8 million in Negative goodwill and ¥2,000 million in Other extraordinary gains.

(Concerning the Consolidated Statements of Cash Flows)

Because of its increased monetary importance, Gain on negative goodwill, which was previously listed within Others under Cash flows from operating activities in the previous fiscal year, is listed as a separate category from the current fiscal year. Because of its decreased importance, Amortization of goodwill including impairment, which was listed as a separate category under Cash flows from operating activities in the previous fiscal year, is listed under Others from the current fiscal year. To reflect these changes in presentation method, the Company has restated its Consolidated Financial Statements for the previous fiscal year.

As a result, on the Consolidated Statements of Cash Flows for the previous fiscal year, ¥4 million in Amortization of goodwill including impairment and (¥156,394 million) in Others, have been restated as "Gain on negative goodwill of (¥8 million) and Others of (¥156,381 million).

Additional Information

(Application of Accounting Standard for Accounting Changes and Error Corrections)

For accounting changes and corrections of errors for prior period that are made on and after the beginning of the fiscal year ended March 31, 2012, "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

(Effects of Revised Corporate Tax Rate)

The "Act on Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" were promulgated on December 2, 2011. Therefore, effective from the fiscal years beginning on and after April 1, 2012, the corporate tax rate will be lowered and the special recovery tax will be imposed. As a result of the change in the tax rate, deferred tax assets will decrease by ¥59,658 million, deferred tax liabilities will decrease by ¥57,491 million and deferred income taxes will increase by ¥72,461 million.

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

1. Securities include ¥970 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 ¥7,765,422 million.
3. Among loans, there were no bankrupt loans, non-accrual delinquent loans, past-due loans (three months or more), and restructured loss amounts.
4. Accumulated depreciation of tangible fixed assets: ¥729,341 million
5. Changes in reserve for policyholders' dividends
   Amount at the beginning of the current fiscal year: ¥2,632,205 million
   Dividends to policyholders paid in the current fiscal year: ¥405,549 million
   Increase in interest: ¥13,328 million
   Decrease due to increased annuity purchases: ¥505 million
   Provision for reserve for policyholders' dividends: ¥271,963 million
   Amount at the end of the current fiscal year: ¥2,511,441 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 ¥71,042,150 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, ¥2,674,473 million in contingency reserve and ¥437,490 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 ¥9,542 million.
   Such burden charges are processed as operating expenses within the consolidated accounting year.

Notes to Consolidated Statements of Income

Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an incorporated administrative agency, ¥259,545 million is provided for reserve for policyholders' dividends based on the performance of the segment related to reinsurance.

Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and related tax effect for other comprehensive income

Net unrealized gains (losses) on available-for-sale securities
- Amount incurred during the current fiscal year: ¥865,977 million
- Reclassification adjustments: ¥(10,847) million
  - Before tax effect adjustment: ¥855,129 million
  - Tax effect: ¥(270,231) million
  - Net unrealized gains (losses) on available-for-sale securities: ¥584,898 million

Deferred gains (losses) on derivatives under hedge accounting
- Amount incurred during the current fiscal year: ¥(176,144) million
- Reclassification adjustments: ¥50,639 million
- Asset acquisition cost adjustment: ¥(1,487) million
  - Before tax effect adjustment: ¥(126,993) million
  - Tax effect: ¥46,133 million
  - Deferred gains (losses) on derivatives under hedge accounting: ¥(80,859) million
  - Total other comprehensive income: ¥504,038 million

Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

	April 1, 2011	Increase	Decrease	March 31, 2012	Remarks
Outstanding shares					
Common shares	150,000	—	—	150,000	

2. Information concerning 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	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors on June 27, 2011	Common shares	38,404	256.03	March 31, 2011	June 27, 2011

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, 2012 is as follows.
   Cash and due from banks: ¥5,003,547 million
   Negotiable certificates of deposit held by the banking subsidiary included in cash and due from banks: ¥ (585,000) million
   Negotiable certificates of deposit included in securities: ¥143,000 million
   Deposits with maturities of more than 90 days: ¥ (200) million
   Cash and cash equivalents: ¥4,561,347 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 ¥15,362 million.

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, fixed-term 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, 2012 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)

	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	5,003,547	5,003,547	—
(2) Call loans	1,804,004	1,804,004	—
(3) Receivables under securities borrowing transactions	7,751,717	7,751,717	—
(4) Monetary claims bought	109,458	109,458	—
(5) Trading account securities: Securities classified as trading purposes			
Trading securities	216	216	—
(6) Money held in trust (* 2)	4,005,469	4,005,469	—
(7) Securities			
Held-to-maturity securities	148,800,908	153,960,315	5,159,406
Policy reserve-matching bonds	24,812,291	25,990,069	1,177,778
Available-for-sale securities	76,961,186	76,961,186	—
(8) Loans	18,063,587		
Reserve for possible loan losses (* 3)	(252)		
	18,063,335	19,313,586	1,250,250
Total Assets	287,312,136	294,899,572	7,587,435
(1) Deposits	174,434,011	175,042,550	608,539
(2) Payables under securities lending transactions	10,744,316	10,744,316	—
Total Liabilities	185,178,327	185,786,867	608,539
Derivative transactions (* 4)			
For which hedge accounting is not applied	673	673	—
For which hedge accounting is applied	(159,280)	(159,280)	—
Total derivative transactions	(158,606)	(158,606)	—

(* 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

Assets
(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 "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 "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 fixed date of repayments, their market values are used as book values considering the term and conditions.

Liabilities
(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 fixed-term 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
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.

Derivatives
Derivatives consist of interest rate-related transactions (interest rate swaps and others) and currency-related transactions (exchange contract and currency swaps). 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)

Type	Amount on the balance sheet
Unlisted equities* (Note)	141,108
Total	141,108

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)

	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
Due from banks	3,812,966	—	—	—	—	—
Call loans	1,804,004	—	—	—	—	—
Receivables under securities borrowing transactions	7,751,717	—	—	—	—	—
Monetary claims bought	3,302	4,448	5,754	15,505	10,000	68,748
Securities						
Held-to-maturity securities	27,911,648	36,304,609	30,456,471	19,402,294	16,444,080	17,820,210
Policy reserve-matching bonds	419,913	6,442,850	7,322,228	3,562,459	2,489,701	4,390,500
Available-for-sale securities with maturities	21,488,344	15,137,620	8,155,926	9,056,521	13,272,815	5,150,751
Loans	3,628,632	3,302,119	2,728,753	2,088,416	2,656,418	3,653,266
Total	66,820,530	61,191,647	48,669,134	34,125,196	34,873,015	31,083,476

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

(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
Deposits (Note)	78,689,379	6,667,996	11,563,714	35,104,295	42,408,626	—
Payables under securities lending transactions	10,744,316	—	—	—	—	—
Total	89,433,695	6,667,996	11,563,714	35,104,295	42,408,626	—

Note: The demand deposits are included in "Due within 1 year".

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, 2012)
   No net unrealized gains (losses) are charged to period income from trading account securities.

2. Held-to-maturity securities (As of March 31, 2012)

(Millions of yen)

	Type	Amount on the consolidated balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	130,516,092	135,015,377	4,499,284
	Japanese local government bonds	8,050,180	8,396,627	346,447
	Japanese corporate bonds	8,128,415	8,442,133	313,718
	Others	276,096	286,813	10,716
	Subtotal	146,970,785	152,140,952	5,170,166
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	1,044,955	1,036,362	(8,592)
	Japanese local government bonds	330,276	329,184	(1,092)
	Japanese corporate bonds	398,942	398,417	(524)
	Others	55,947	54,184	(1,762)
	Subtotal	1,830,122	1,818,150	(11,972)
Total		148,800,908	153,959,102	5,158,193

3. Bonds earmarked for policy reserves (As of March 31, 2012)

(Millions of yen)

	Type	Amount on the consolidated balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	22,843,876	23,967,844	1,123,967
	Japanese local government bonds	1,356,198	1,396,901	40,703
	Japanese corporate bonds	578,561	591,824	13,263
	Others	—	—	—
	Subtotal	24,778,636	25,956,570	1,177,933
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	6,059	6,054	(5)
	Japanese local government bonds	22,589	22,445	(143)
	Japanese corporate bonds	5,006	4,999	(6)
	Others	—	—	—
	Subtotal	33,655	33,499	(155)
Total		24,812,291	25,990,069	1,177,778

4. Available-for-sale securities (As of March 31, 2012)

(Millions of yen)

	Type	Amount on the consolidated balance sheet	Acquisition cost	Difference
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Shares	136	129	7
	Bonds	49,191,377	48,098,118	1,093,259
	Japanese government bonds	36,450,955	35,679,909	771,046
	Japanese local government bonds	3,684,508	3,586,603	97,905
	Short-term corporate bonds	—	—	—
	Japanese corporate bonds	9,055,912	8,831,605	224,307
	Others	10,224,139	9,823,695	400,444
	Subtotal	59,415,653	57,921,942	1,493,710

Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Shares	16,903	18,848	(1,945)
	Bonds	15,032,592	15,114,430	(81,838)
	Japanese government bonds	14,055,810	14,057,690	(1,879)
	Japanese local government bonds	69,735	69,784	(49)
	Short-term corporate bonds	180,989	180,989	—
	Japanese corporate bonds	726,056	805,965	(79,909)
	Others	4,085,896	4,174,638	(88,742)
	Subtotal	19,135,392	19,307,918	(172,526)
Total		78,551,045	77,229,861	1,321,184

5. Held-to-maturity securities sold during the fiscal year
(From April 1, 2011 to March 31, 2012)

(Millions of yen)

	Cost of sales	Sales proceeds	Realized gains
Japanese government bonds	50,015	50,124	109
Total	50,015	50,124	109

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, 2011 to March 31, 2012)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Japanese government bonds	2,195,859	61,142	—
Japanese corporate bonds	268,334	2,964	—
Total	2,464,193	64,107	—

7. Available-for-sale securities sold during the fiscal year
(From April 1, 2011 to March 31, 2012)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Shares	40	20	0
Bonds	767,833	14,340	2,958
Japanese government bonds	425,937	8,394	2,219
Japanese corporate bonds	341,895	5,945	738
Others	968,875	36,275	59,376
Total	1,736,748	50,635	62,334

Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2012)
None

2. Money held in trust classified as held-to-maturity (As of March 31, 2012)
None

3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2012)

(Millions of yen)

	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	4,005,469	3,765,276	240,192	283,802	(43,609)

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

Note 2: "Those for which the amount on the consolidated balance sheet exceeds the acquisition cost" and "Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost" are net unrealized gains or losses, respectively.

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)

2012 (As of March 31, 2012)	
Retirement benefit obligation	(3,268,485)
Pension assets	10,450
Unfunded retirement benefit obligation	(3,258,035)
Unrecognized actuarial differences	(121,196)
Unrecognized prior service cost	(2,285)
Net amount on the consolidated balance sheet	(3,381,516)
Reserve for employees' retirement benefits	(3,381,516)

3. Information about retirement benefit expenses

(Millions of yen)

2012 (From April 1, 2011 to March 31, 2012)	
Service cost	116,550
Interest cost	56,370
Expected return on pension assets	(215)
Amortization of prior service cost	(492)
Amortization of actuarial differences	(11,776)
Others	393
Retirement benefit expenses	160,829

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

4. Basis for calculation of retirement benefit obligation

2012 (As of March 31, 2012)	
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

Per Share Information

(yen)

2012 (From April 1, 2011 to March 31, 2012)	
Net assets per share	72,893.42
Net income per share	3,126.05

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

Risk-Monitored Loans

(Millions of yen)

	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Bankrupt loans	—	—
Non-accrual delinquent loans	2	—
Past-due loans (three months or more)	—	—
Restructured loss	—	—
Total	2	—

Subsequent Events

On April 27, 2012, the "Act for Partial Revision of the Postal Service Privatization Act and others" was enacted. As a result, the Postal Service Privatization Act (Act No. 97 of 2005) was amended. On the date determined by a Cabinet Order, Japan Post Network Co., Ltd., which is the Company's consolidated subsidiary, changed its corporate name to Japan Post Co., Ltd. as prescribed by Article 6-2-1 of the same Act. Japan Post Co., Ltd. took over the business of Japan Post Service Co., Ltd., which was the Company's consolidated subsidiary, and merged with this subsidiary, as prescribed by Article 6-2-2 of the same Act.

Capital Adequacy

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 15 companies (hereafter the "Group") for the purpose of 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., Japan Post Hotel Service Co., Ltd., Japan Post Information Technology Co., Ltd., Post Office Business Support Co., Ltd. (corporate name changed to Japan Post Network Trading Service Co., Ltd. on April 1, 2012), Japan Post Building Management Co., Ltd., JP Logi Service Co., Ltd., JP Biz Mail Co., Ltd., JP Media Direct Co., Ltd., JP Sankyu Global Logistics Co., Ltd., Japan Post Transport Co., Ltd. and Japan Post Insurance System Solutions 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 16 companies, comprising 15 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 54 through 65.

(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 15 companies noted above.

Principal subsidiaries are: Japan Post Network Co., Ltd., Japan Post Service Co., Ltd. and Japan Post Bank Co., Ltd. See pages 20 through 53 for details on the 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., 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, 2012 calculated in accordance with the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice was 57.70% (Tier I ratio was 64.33%). 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 76 through 77 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 2012, 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 risk weightings 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 allowances, 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, 2012 was ¥145,544 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 the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, 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. Also, 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. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Management Meeting and other bodies.

The procedure concerning resecuritization exposure is the same as for securitization exposure.

(2) Outline of the establishment and state of operation of a system prescribed by Consolidated Capital Adequacy Ratio Notice Article 227-4-3 to -6

(includes cases of application pursuant to Consolidated Capital Adequacy Ratio Notice Article 232-2 and Article 280-4-1.)

The Company, a bank holding company, is not exposed to risk associated with securitization exposure.

For securitization exposure risk, Japan Post Bank operates a structure that ascertains on a timely basis information concerning comprehensive risk characteristics and performance. Specifically, the Bank periodically reviews obligor ratings. Additionally, in the event that a decline in the quality of or change in the structure of underlying assets has an impact on obligor ratings, the Bank will provisionally review the obligor ratings. The procedures concerning resecuritization exposure are the same as for securitization exposure.

(3) Policies when using securitization transactions as a method for reducing credit risk

Japan Post Bank does not use securitization transactions as a method for reducing credit risk.

(4) 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 the amount of credit risk assets for securitization exposure.

(5) Name of method used for calculating an amount equivalent to market risk of securitization exposure

Not applicable

(6) Distinguishing types of conduits for securitization and whether the Group is exposed to risks associated with securitization from securitization transactions when using conduits for securitization in executing securitization transactions for third-party assets.

The Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.

(7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)

Not applicable

(8) 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 applies ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

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

Japan Post Bank uses the ratings of the following 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.

Quantitative Disclosure

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

   Names of companies with lower-than-required levels of capital adequacy and the total amount of the shortfalls 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 adequacy ratio (domestic standard)

(Millions of yen)

Item		2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Core capital (Tier I)	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	1,340,286	1,705,040
	Treasury stock (deduction)	—	—
	Deposit for subscription to treasury stock	—	—
	Amount scheduled for disbursement (deduction)	(38,404)	(37,851)
	Net unrealized losses on available-for-sale securities (deduction)	—	—
	Foreign currency translation adjustments	—	—
	Stock acquisition rights	—	—
	Minority interests in consolidated subsidiaries	1,224	1,345
	Preferred securities issued by foreign Special Purpose Companies (SPCs)	—	—
	Trade rights equivalents (deduction)	—	—
	Goodwill equivalents (deduction)	(13)	(8)
	Intangible fixed assets equivalents recognized as a result of merger (deduction)	—	—
	Amount equivalent to increase in shareholders' equity resulting from securitization transactions (deduction)	—	—
	Total core capital (Tier I) (A)	9,306,948	9,672,382
	Equity securities, etc., with probability of being redeemed (carrying covenant regarding step-up interest rate) (Note 3)	—	—
Supplementary capital (Tier II)	Amount equivalent to 45% of the difference between reappraised land value and book value immediately before revaluation	—	—
	General reserve for possible loan losses	3,788	4,096
	Capital raised through debt financing	—	—
	Total supplementary capital, Tier II capital (B)	3,788	4,096
Sub-supplementary capital (Tier III)	Short-term subordinated debt	—	—
	Total sub-supplementary capital, Tier III capital (C)	—	—
Deduction item	Total of deduction items (D) (Note 4)	1,000,169	1,000,148
(Total) qualifying capital	(Total) qualifying capital (A+B+C-D) (E)	8,310,567	8,676,330
(Total) risk-adjusted assets	Assets (on-balance-sheet items)	9,552,867	11,076,463
	Off-balance-sheet transactions, etc.	197,625	295,616
	Amount of market risk equivalent, divided by 8%	—	—
	Amount of operational risk equivalent, divided by 8%	3,805,647	3,663,396
	(Total) risk-adjusted assets (F)	13,556,140	15,035,475
Consolidated capital adequacy ratio (domestic standard) (E/F) × 100 (%)		61.30%	57.70%
Consolidated Tier I capital ratio (A/F) × 100 (%)		68.65%	64.33%

Note 1: 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). 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	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
1	Cash	—	—
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	2,187	8,108
4	Bank for International Settlements, etc.	—	—
5	Japanese local governments and their agencies	—	—
6	Foreign public-sector entities other than central governments	3,264	4,416
7	International development banks	—	—
8	Japan Finance Organization for Municipalities	1,877	2,190
9	Japanese government agencies	18,617	17,960
10	Three regional public corporations under Japanese local governments	0	0
11	Financial institutions and type I financial instruments business operators	48,132	57,933
12	Corporates	124,813	158,534
13	Small and medium-sized enterprises and individuals	7	6
14	Residential housing mortgages	—	—
15	Project finance (acquisition of real estate)	2,263	2,902
16	Past-due loans (three months or more)	106	139
17	Outstanding drafts	—	—
18	Loans guaranteed by Credit Guarantee Corporation, etc.	—	—
19	Loans guaranteed by the Enterprise Turn-around Initiative Corporation of Japan (ETIC), etc.	—	—
20	Investments in capital and others	65,263	75,882
21	Other than above	113,889	113,486
22	Securitization transactions (as originator)	—	—
	Re-securitization transactions		—
23	Securitization transactions (as investor and other)	1,692	1,496
	Re-securitization transactions		90
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	—	—
	Total	382,114	443,058

Note: Capital requirements are calculated using the following formula:
Credit risk-weighted assets × 4%

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

(Millions of yen)

	Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	—	—
2	Commitment lines with original contracts of one year or less	18	40
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	5,910
	(of which secured with loan guarantees)	2,440	2,840
	(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	2,710
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	1,468	3,648
11	Derivative transactions and long-term settlements transactions	2,004	2,170
	Current exposure method	2,004	2,170
	Derivative transactions	2,004	2,170
	Foreign exchange-related transactions	1,241	1,594
	Interest rate-related transactions	761	569
	Gold-related transactions	—	—
	Equity security-related transactions	—	—
	Precious metal-related transactions (excluding gold)	—	—
	Other commodity-related transactions	—	—
	Credit derivative transactions (counterparty risk)	0	6
	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	7,905	11,824

Note: Capital requirements are calculated using the following formula:
Credit risk-weighted assets × 4%

(3) Amount of required capital for operational risk

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Basic indicator approach	152,225	146,535
Total	152,225	146,535

Note: Capital requirement for operational risk: (Operational risk ÷ 8%) × 4%

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

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Consolidated capital adequacy ratio	61.30%	57.70%
Consolidated Tier I capital ratio	68.65%	64.33%
Total amount of consolidated required capital	542,245	601,419
Credit risk-adjusted assets × 4%	390,019	454,883
Assets (on-balance-sheet items) × 4%	382,114	443,058
Off-balance-sheet transactions, etc. × 4%	7,905	11,824
Amount of operational risk equivalent ÷ 8% × 4%	152,225	146,535

4. Credit risk

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

(Millions of yen)

Counterparts		2011 (As of 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
	Corporates	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

(Millions of yen)

Counterparts		2012 (As of March 31, 2012)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	8,691,054	154,556,646	—	33,489	163,281,190
	Financial institutions	53,618,896	8,802,592	190,516	26,053	62,638,058
	Corporates	769,813	7,032,627	—	321,030	8,123,471
	Small and medium-sized enterprises and individuals	—	—	—	332	332
	Project finance (acquisition of real estate)	—	—	—	2,902	2,902
	Others (excluding the above)	5,299,419	1,580,458	550	6,320,402	13,200,830
	Domestic total	68,379,183	171,972,324	191,066	6,704,210	247,246,785
Overseas total		—	—	—	—	—
Total		68,379,183	171,972,324	191,066	6,704,210	247,246,785

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 currency swaps and interest rate swaps, etc.
Note 6: "Sovereigns" include 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 I financial instruments business operators.
Note 8: "Corporates" include Foreign public-sector entities other than central 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 "corporates" and "others" under "others (excluding the above)."
"Others" under "others (excluding the above)" includes tangible fixed assets and intangible fixed assets in the amount of ¥2,804.8 billion as of March 31, 2012 (¥2,816.9 billion as of March 31, 2011).
Note 10: The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	2011 (As of 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

(Millions of yen)

Remaining period	2012 (As of March 31, 2012)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	54,768,999	43,892,324	5,425	352,581	99,019,331
Over 1 year to 3 years	755,895	44,636,023	73,373	5,843	45,471,135
Over 3 years to 5 years	768,344	31,699,016	40,890	2,693	32,510,944
Over 5 years to 7 years	1,570,014	21,755,832	32,217	48	23,358,113
Over 7 years to 10 years	714,847	25,333,418	39,024	—	26,087,290
Over 10 years	2,608,414	4,655,709	135	—	7,264,259
No due date or perpetual	7,192,666	—	—	6,343,043	13,535,710
Total	68,379,183	171,972,324	191,066	6,704,210	247,246,785

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 currency swaps and interest rate swaps, etc.
Note 4: "Others" under "No due date or perpetual" includes tangible fixed assets and intangible fixed assets in the amount of ¥2,804.8 billion as of March 31, 2012 (¥2,816.9 billion as of March 31, 2011).
Note 5: The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

(3) Past-due loans for three months or more exposure by region, industry and customer

(Millions of yen)

Counterparts		2011 (As of March 31, 2011)					2012 (As of March 31, 2012)				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	—	—	—	—	—	—	—	—	—	—
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	4	4	—	—	—	6	6
	Small and medium-sized enterprises and individuals	—	—	—	127	127	—	—	—	109	109
	Project finance (acquisition of real estate)	—	—	—	—	—	—	—	—	—	—
	Others (excluding the above)	—	—	—	4,666	4,666	—	—	—	6,347	6,347
	Domestic total	—	—	—	4,798	4,798	—	—	—	6,464	6,464
Overseas total		—	—	—	—	—	—	—	—	—	—
Total		—	—	—	4,798	4,798	—	—	—	6,464	6,464

Note 1: "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.
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 currency swaps and interest rate swaps, etc.
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 I financial instruments business operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations.
Note 9: 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 "corporates" and "others" under "others (excluding the above)."
Note 10: The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

(4) Year-end balances and changes during the period of general reserve for possible loan losses, specific reserve for possible loan losses, and loan loss reserve for specific overseas countries.

Year-end balance (Millions of yen)

	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
General reserve for possible loan losses	229	214
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period (Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
General reserve for possible loan losses	51	(15)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Note 1: Reserve for possible loan losses represents a reserve for loans only.
Note 2: General reserve for possible loan losses 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	2011 (As of March 31, 2011)		2012 (As of March 31, 2012)	
	Rated	Not rated	Rated	Not rated
0%	165,870,240	63,536,421	167,827,005	53,368,096
10%	—	5,324,290	—	5,267,899
20%	9,335,122	38	10,595,302	41
35%	—	—	—	—
50%	2,366,115	4,529	2,989,725	6,231
75%	—	245	—	222
100%	1,314,539	4,809,145	2,002,435	5,189,580
150%	—	257	11	233
Other	—	—	—	—
Capital deductions	—	—	—	—
Total	178,886,018	73,674,928	183,414,480	63,832,305

Note 1: Ratings are used for those rated by qualified rating agencies in principle.
Note 2: The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 3: 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	2011 (As of March 31, 2011)		2012 (As of March 31, 2012)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Qualified financial collateral	57,538,460	88.74%	48,946,930	87.02%
Guarantees	7,300,287	11.25%	7,300,758	12.97%
Total	64,838,748	100.00%	56,247,688	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 long-term settlements transactions
Derivative transactions and long-term settlements transactions

(Millions of yen)

Item	2011 (As of March 31, 2011)			2012 (As of March 31, 2012)		
	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	21,885	41,539	63,425	1,720	45,278	46,999
Currency-related transactions						
Currency swaps	4,661	35,242	39,904	6,690	76,614	83,305
Forward foreign exchange contracts	38,193	35,360	73,553	28,713	32,047	60,760
Long-term settlements transactions	18	—	18	—	—	—
Total	64,758	112,142	176,900	37,124	153,941	191,066

Note 1: Net credit equivalents 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 settlements 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 and breakdown by type of main underlying assets (excludes re-securitization exposure)

(Millions of yen)

Type of underlying assets	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Mortgage loans	107,607	106,316
Auto loans	14,179	6,479
Leases	22,191	7,272
Accounts receivable	10,928	5,954
Corporate loans	95,102	95,001
Others	11,942	4,408
Total	261,951	225,433

(2) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Mortgage loans		5,651
Auto loans		—
Leases		—
Accounts receivable		—
Corporate loans		—
Others		—
Total		5,651

(3) Balance by risk weight of securitization exposure and amount of capital requirements (excludes re-securitization exposure)

(Millions of yen)

Risk weight	2011 (As of March 31, 2011)		2012 (As of March 31, 2012)	
	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	100,791	403	99,409	397
20%	161,160	1,289	126,023	1,008
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
Capital deductions	—	—	—	—
Total	261,951	1,692	225,433	1,405

(4) Balance by risk weight of re-securitization exposure and amount of capital requirements

(Millions of yen)

Risk weight	2011 (As of March 31, 2011)		2012 (As of March 31, 2012)	
	Balance	Capital requirements	Balance	Capital requirements
Less than 40%			—	—
40%			5,651	90
100%			—	—
225%			—	—
650%			—	—
Capital deductions			—	—
Total			5,651	90

Note 1: There are no off-balance-sheet transactions.

Note 2: Capital requirements are the amount of credit risk assets × 4%.

Note 3: There were no credit risk assets falling under Article 15 of Supplementary Provisions of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Note 4: 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 book

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

(Millions of yen)

	2011 (As of March 31, 2011)		2012 (As of March 31, 2012)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure	—	—	—	—
Investment or equities exposure not corresponding to listed equities exposure	179,602		221,376	
Total	179,602		221,376	

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

Note 2: Exposure amount included in funds such as investment trusts are not included. The same applies to the following.

(2) Gains (Losses) on sale or write-off of investment or equity exposures

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Gains (Losses)	—	—
Gains	—	—
Losses	—	—
Write-off	—	—

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)

	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	1,388	813

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)

	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
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 book
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 book

(Billions of yen)

	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Losses in economic value	1,186.0	964.6

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.

Compensation, etc. Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)
  (1) Scope of subject executives and employees
    The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2-1-6.
    1) Scope of "subject executives"
      Subject executives are the Company's directors and executive officers. Outside directors are excluded.
    2) Scope of "subject employees"
      Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure. The executives and executive officers of Japan Post Network, Japan Post Service, Japan Post Bank, and Japan Post Insurance (hereafter referred to as four business subsidiaries) shall be deemed "subject employees."
      (a) Scope of "principal consolidated subsidiaries"
        Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the four business subsidiaries are in this category.
      (b) Scope of "persons receiving high amounts of compensation"
        "Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the standard amount at ¥16 million. The relevant standard amount is set based on the average basic compensation for the Company's subject executives. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.
      (c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"
        "Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, the Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors.
  (2) Determination of compensation for subject executives and employees
    1) Determination of compensation for subject executives
      The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.
    2) Determination of compensation for subject employees
      The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.
      (a) Japan Post Network and Japan Post Service
        Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' meeting.
        Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' meeting.
        Individual allocation of compensation for auditors is determined based on consultation by the auditors.
        Compensation for executive officers is determined based on a resolution by the Board of Directors.
      (b) Japan Post Bank and Japan Post Insurance
        The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.
  (3) Determination of compensation for staff of the Risk Management Department and Compliance Department
    Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.
    Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.
  (4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

Company name	Name of meeting	Number of times convened (From April 2011 to March 2012)
Japan Post Holdings	Compensation Committee	4 times
Japan Post Network	Board of Directors (Note 1)	4 times
	Board of Corporate Auditors (Note 1)	1 time
Japan Post Service	Shareholders' meeting	1 time
	Board of Directors (Note 2)	2 times
	Board of Corporate Auditors (Note 2)	2 times
Japan Post Bank	Compensation Committee	3 times
Japan Post Insurance	Compensation Committee	3 times

Note 1: The total amount (upper limit) of compensation for executives of Japan Post Network was determined at the Organizational Meeting on September 18, 2007.
Note 2: The total amount (upper limit) of compensation for executives of Japan Post Service was determined at the Organizational Meeting on September 18, 2007.
Note 3: The total amount of compensation is not listed because this amount cannot be calculated separating only the portion corresponding to compensation for the execution of duties of the Compensation Committee.

2. Matters concerning evaluation of the appropriateness of the design and operation of the compensation system for subject executives and employees of the Company (Group)
  (1) Policies concerning compensation for "subject executives"
    The Company determines compensation for the Company's directors according to job responsibilities based on the scope and size of responsibilities for management and other areas. For executive officers, the Company has designed a compensation system that considers job content as an executive officer, personal evaluations and job performance. As a specific executive compensation system, the executive compensation consists of the following:

• base compensation
• retirement benefits

(2) Policies concerning compensation for "subject employees"

In determining compensation for Company employees, the Company determines compensation for directors and auditors according to job responsibilities based on the scope and size of responsibilities for management and in other areas. For executive officers and executives, the Company has designed a compensation system that considers job content as an executive officer or executive, personal evaluations and job performance. As a specific compensation system, executive compensation consists of the following:

• base compensation
• retirement benefits

The Company determines compensation for employees based on employee evaluations to reflect the degree of attainment of targets and job behavior. As a specific compensation system for employees, compensation is determined based on salary rules and regulations.

3. Matters concerning consistency between the compensation system for subject executives and employees of the Company (Group) and risk management and the link between compensation and performance

In determining compensation for subject executives, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined.

In determining compensation for subject employees, compensation for directors and auditors of Japan Post Network and Japan Post Service is determined based on resolutions at the Shareholders' meeting, while compensation for executive officers is determined based on resolutions by the Board of Directors. Regarding executives of Japan Post Bank and Japan Post Insurance, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined. Compensation for employees is determined based on salary rules and regulations.

Compensation for subject executives and subject employees takes into consideration the state of employee evaluations and the appropriateness of amounts paid without excessive emphasis on performance based systems.

4. Matters concerning the types of compensation for subject executives and employees of the Company (Group), total amount paid and payment method

Total amount of compensation for subject executives and employees (From April 1, 2011 to March 31, 2012)

Classification	Number of persons	Total amount of compensation (Millions of yen)			
			Base compensation	Retirement benefits	Other
Subject executives (excluding outside executives)	23	444	374	52	17
Subject employees	43	947	847	100	0

Note 1: Compensation for subject executives does not include compensation as executives of principal consolidated subsidiaries.
Note 2: Variable compensation (including bonuses) is not applicable.
Note 3: Stock-compensation type stock options are not applicable.
Note 4: Retirement benefit amounts list the amounts for the provision of reserve for directors' retirement benefits for the subject executives and subject employees during the applicable period.

5. Other special pertinent matters for reference or other applicable matters other than those specified up to the previous item concerning the systems for compensation for subject executives and employees of the Company (Group)

None

Insurance Claims and Other Payment Abilities of Insurance Holding Companies (Consolidated Solvency Margin Ratio)

(Millions of yen)

		2012 (As of March 31, 2012)
Total amount of consolidated solvency margin	(A)	14,969,116
Capital stock or funds, others		9,970,701
Reserve for price fluctuations		458,215
Contingency reserve		2,783,755
Catastrophe loss reserve		—
General reserves for possible loan losses		4,160
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)		1,403,728
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		88,125
Capital raised through debt financing, Excess (portion of) premium reserve		260,430
Excess (portion of) premium reserve		260,430
Capital raised through debt financing		—
Excluded amounts		—
Solvency margin concerning small-amount, short-term insurers		—
Deductions		—
Other		—
Total amount of consolidated risk $[\{(R_1^2+R_5^2)^{1/2}+R_8+R_9\}^2+(R_2+R_3+R_7)^2]^{1/2}+R_4+R_6$	(B)	1,879,908
Underwriting risk	R_1	177,029
General insurance risk	R_5	—
Catastrophe risk	R_6	—
Underwriting risk of third-sector insurance	R_8	127,502
Underwriting risk of small-amount, short-term insurers	R_9	—
Anticipated yield risk	R_2	237,506
Minimum guarantee risk	R_7	—
Investment risk	R_3	1,300,815
Business management risk	R_4	311,733
Consolidated solvency margin ratio (A)/{(1/2) x (B)}		1,592.5%

Note: The consolidated solvency margin ratio is calculated from the current fiscal year in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

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

The balance sheets as of March 31, 2012 and 2011 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 Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

Balance Sheets

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets		
Current assets (excluding contribution to society and community funds assets)		
Cash and deposits	¥ 89,530	¥ 76,591
Accounts receivable	152,401	239,609
Securities	—	21,500
Inventories	956	732
Short-term loan	—	250
Prepaid expenses	104	81
Others	396	574
Allowance for doubtful accounts	(18)	(9)
Total current assets	243,371	339,330
Non-current assets (excluding contribution to society and community funds assets)		
Tangible fixed assets		
Buildings: net	39,929	38,102
Structures: net	753	679
Machinery: net	606	569
Vehicles: net	204	117
Tools and fixtures: net	24,547	19,221
Land	93,309	92,864
Construction in progress	75	718
Total tangible fixed assets	159,427	152,274
Intangible fixed assets		
Software	18,815	11,384
Others	1,690	1,698
Total intangible fixed assets	20,506	13,083
Investments and other assets		
Stock of related parties	9,194,874	9,195,059
Long-term prepaid expenses	84	70
Claims in bankruptcy	107	112
Others	109	94
Allowance for doubtful accounts	(107)	(112)
Total investments and other assets	9,195,069	9,195,223
Total non-current assets	9,375,002	9,360,580
Contribution to society and community funds assets		
Money held in trust	30,598	47,275
Total contribution to society and community funds assets	30,598	47,275
Total Assets	**¥ 9,648,973**	**¥ 9,747,186**

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Liabilities		
Current liabilities		
Accounts payable	¥ 51,800	¥ 13,460
Income taxes payable	92,767	202,407
Consumption taxes payable	56	—
Accrued expenses	1,150	3,255
Reserve for employees' bonuses	1,637	1,611
Reserve for loss on natural disaster	1,256	333
Reserve for point service program	—	495
Others	817	945
Total current liabilities	149,486	222,509
Long-term liabilities		
Reserve for employees' retirement benefits	1,070,824	977,772
Reserve for directors' retirement benefits	90	128
Reserve for compensation for accidents in the course of duty	25,412	24,412
Deferred tax liabilities	18,567	23,482
Others	1,786	2,334
Total long-term liabilities	1,116,682	1,028,130
Total Liabilities	**¥ 1,266,168**	**¥ 1,250,639**
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		
Retained earnings brought forward	333,546	431,406
Total retained earnings	333,546	431,406
Total shareholders' equity	8,337,402	8,435,262
Contribution to society and community funds	45,063	60,204
Valuation and translation adjustments of contribution to society and community funds	337	1,080
Total Net Assets	**¥ 8,382,804**	**¥ 8,496,547**
Total Liabilities and Net Assets	**¥ 9,648,973**	**¥ 9,747,186**

Statements of Income

(Millions of yen)

Item	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Operating income		
Commissions from subsidiaries and affiliates	¥ 14,937	¥ 11,549
Dividend income from affiliated companies	99,876	106,067
Income from consigned businesses	76,592	69,512
Subsidies related to former savings accounts	56,264	43,593
Income from medical services	24,091	25,179
Income from accommodation services	34,115	31,731
Total operating income	**305,878**	**287,633**
Operating expenses		
Expenses for consigned businesses	68,419	64,006
Expenses for medical services	29,464	30,120
Expenses for accommodation services	37,362	34,725
Administrative expenses	29,879	25,517
Total operating expenses	**165,126**	**154,369**
Net operating income	**140,752**	**133,264**
Other income		
Rents received	2,823	2,755
Others	607	803
Total other income	**3,430**	**3,558**
Other expenses		
Interest expenses	20	15
Lease cost	801	1,295
Others	222	270
Total other expenses	**1,043**	**1,582**
Income (expenses) from contribution to society and community funds assets		
Income from contribution to society and community funds assets	328	533
Expenses for contribution to society and community funds assets	0	0
Total income from contribution to society and community fund assets	**327**	**533**
Net ordinary income	**143,466**	**135,773**
Extraordinary gains		
Reversal of reserves for indemnification and litigation	22	—
Gain on donated fixed assets	13	—
Other extraordinary gains	8	—
Total extraordinary gains	**44**	**—**
Extraordinary losses		
Losses on disposal of fixed assets	82	83
Impairment losses	2,185	2,404
Loss on natural disaster	1,526	—
Provision for reserve for point service program	—	495
Other extraordinary losses	77	—
Total extraordinary losses	**3,871**	**2,984**
Net income before income taxes	**139,638**	**132,789**
Income taxes current	(20,234)	(23,162)
Income taxes deferred	6,250	4,547
Total income taxes	**(13,983)**	**(18,614)**
Net income	**¥ 153,622**	**¥ 151,404**

Statements of Changes in Net Assets

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the current 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 beginning of the current 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		
Retained earnings brought forward		
Balance at the beginning of the current fiscal year	¥ 231,633	¥ 333,546
Changes during the period		
Cash dividends	(36,346)	(38,404)
Net income for the period	153,622	151,404
Contribution to society and community funds	(15,362)	(15,140)
Total changes during the period	101,913	97,859
Balance at the end of the current fiscal year	¥ 333,546	¥ 431,406
Total shareholders' equity		
Balance at the beginning of the current fiscal year	¥ 8,235,489	¥ 8,337,402
Changes during the period		
Cash dividends	(36,346)	(38,404)
Net income for the period	153,622	151,404
Contribution to society and community funds	(15,362)	(15,140)
Total changes during the period	101,913	97,859
Balance at the end of the current fiscal year	¥ 8,337,402	¥ 8,435,262
Contribution to society and community funds		
Balance at the beginning of the current fiscal year	¥ 29,701	¥ 45,063
Changes during the period		
Net changes other than shareholders' equity	15,362	15,140
Total changes during the period	15,362	15,140
Balance at the end of the current fiscal year	¥ 45,063	¥ 60,204

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Valuation and translation adjustments of contribution to society and community funds		
Balance at the beginning of the current fiscal year	¥ 132	¥ 337
Changes during the period		
Net changes other than shareholders' equity	204	743
Total changes during the period	204	743
Balance at the end of the current fiscal year	¥ 337	¥ 1,080
Total net assets		
Balance at the beginning of the current fiscal year	¥ 8,265,323	¥ 8,382,804
Changes during the period		
Cash dividends	(36,346)	(38,404)
Net income for the period	153,622	151,404
Contribution to society and community funds	(15,362)	(15,140)
Net changes other than shareholders' equity	15,567	15,883
Total changes during the period	117,480	113,743
Balance at the end of the current fiscal year	¥ 8,382,804	¥ 8,496,547

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 equipment attached to buildings) 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 transactions that do not transfer 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 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 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.

(4) Reserve for point service program

In preparation for the use of points provided to customers, the Company has recorded at the end of the current fiscal year the amounts for points expected to be used in the future.

(Additional information)

Because it became possible to reasonably calculate amounts for points expected to be used in the future, the Company began recording the reserve for points from the end of the current fiscal year. As a result, the Company recorded ¥495 million provision for reserve for points of past years as an extraordinary loss, and therefore net income before income taxes decreased by ¥495 million.

(5) 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.

(6) 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.

(7) 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.

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.

Additional Information

(Application of Accounting Standard for Accounting Changes and Error Corrections)

For accounting changes and corrections of errors for prior period that are made on and after the beginning of the fiscal year ended March 31, 2012, "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

Notes to Financial Statements

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: ¥60,156 million
3. Assets in affiliated companies
   Accounts receivable ¥233,796 million

Notes to Statements of Income

1. The following shows operating transactions and other transactions with affiliates.
   Operating income
   Income from consigned businesses ¥69,305 million
   Other income
   Rents received ¥2,682 million

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)

2012 (As of March 31, 2012)	
Retirement benefit obligation	(33,317)
Unfunded pension liabilities	(33,317)
Unrecognized actuarial differences	(2,018)
Reserve for employees' retirement benefits	(35,335)

(3) Information about retirement benefit expenses

(Millions of yen)

2012 (From April 1, 2011 to March 31, 2012)	
Service cost	1,808
Interest cost	539
Amortized actuarial differences	(220)
Retirement benefit expenses	2,127

(4) Assumptions for the calculation of retirement benefit obligation

2012 (As of March 31, 2012)	
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)

2012 (As of March 31, 2012)	
Retirement benefit obligation related to share of public service pension	(899,257)
Unrecognized actuarial differences	(41,035)
Reserve for employees' retirement benefits related to share of public service pension	(940,293)

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

(Millions of yen)

2012 (From April 1, 2011 to March 31, 2012)	
Interest cost	16,844
Amortized actuarial differences	(4,745)
Retirement benefit expenses related to share of public service pension	12,098

(3) Assumptions for the calculation of public service pension

2012 (As of March 31, 2012)	
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)

2012 (As of March 31, 2012)	
Retirement benefit obligation related to share of another public service pension	(2,110)
Unrecognized actuarial differences	(32)
Reserve for employees' retirement benefits related to share of another public service pension	(2,143)

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

(Millions of yen)

2012 (From April 1, 2011 to March 31, 2012)	
Interest cost	27
Amortized actuarial differences	(33)
Retirement benefit expenses related to share of another public service pension	(6)

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

2012 (As of March 31, 2012)	
Discount rate:	1.1%
Recognition period of actuarial differences:	5 years

Subsequent Events

None

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

The balance sheets as of March 31, 2012 and 2011 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 Companies Act of Japan.

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

Balance Sheets

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets		
Current assets		
Cash and deposits	¥ 2,020,815	¥ 1,867,626
Accounts receivable—trade	111,637	108,426
Real estate for sale in progress	1,583	564
Merchandise	33	—
Supplies	1,101	1,463
Prepaid expenses	552	614
Accounts receivable	6,525	4,563
Insurance business consignment receivable	12,836	8,807
Others	27,432	22,197
Allowance for doubtful accounts	(12)	(19)
Total current assets	2,182,505	2,014,243
Non-current assets		
Tangible fixed assets		
Buildings: net	329,728	315,590
Structures: net	13,753	12,830
Machinery: net	194	164
Automobiles and other vehicles: net	1,308	887
Tools and fixtures: net	21,475	17,492
Land	611,369	610,399
Construction in progress	46,033	99,027
Total tangible fixed assets	1,023,862	1,056,392
Intangible fixed assets		
Leaseholds	1,670	1,654
Air rights	14,077	14,077
Telephone rights	159	160
Software	7,247	8,449
Others	2,477	1,404
Total intangible fixed assets	25,633	25,747
Investments and other assets		
Investment securities	14,573	14,634
Stock of related parties	200	500
Others	4,672	10,634
Allowance for doubtful accounts	(1,622)	(1,173)
Total investments and other assets	17,822	24,595
Total non-current assets	1,067,318	1,106,735
Total Assets	**¥ 3,249,823**	**¥ 3,120,978**

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Liabilities		
Current liabilities		
Accounts payable—trade	¥ 5,590	¥ 5,864
Accounts payable—other	103,536	105,085
Postal service business consignment payable	12,108	13,603
Banking business consignment payable	44,933	27,936
Accrued expenses	21,261	19,611
Income taxes payable	5,628	5,868
Consumption taxes payable	6,685	9,078
Deposits received	4,233	4,789
Fund deposits for post offices	1,520,000	1,400,000
Reserve for employees' bonuses	39,529	39,270
Reserve for loss on rebuilding of branches	68	739
Reserve for loss on natural disaster	1,239	—
Asset retirement obligations	96	574
Others	3,358	679
Total current liabilities	1,768,269	1,633,101
Long-term liabilities		
Reserve for employees' retirement benefits	1,169,968	1,172,398
Reserve for directors' retirement benefits	112	156
Reserve for loss on rebuilding of branches	2,602	2,533
Negative goodwill	298	99
Asset retirement obligations	2,821	2,775
Deferred tax liabilities	—	69
Others	16,212	9,143
Total long-term liabilities	1,192,014	1,187,177
Total Liabilities	**¥ 2,960,284**	**¥ 2,820,278**
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		
Reserve for special depreciation	—	29
Reserve for deferred gains on fixed assets	—	95
Retained earnings brought forward	89,538	100,575
Total retained earnings	89,538	100,700
Total shareholders' equity	289,538	300,700
Total Net Assets	**¥ 289,538**	**¥ 300,700**
Total Liabilities and Net Assets	**¥ 3,249,823**	**¥ 3,120,978**

Statements of Income

(Millions of yen)

Item	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Operating income		
Commissions for postal service business consignment	¥ 203,990	¥ 183,270
Commissions for banking business consignment	631,924	619,085
Commissions for insurance business consignment	402,438	384,218
Other fees and commissions	17,996	21,872
Total operating income	**1,256,349**	**1,208,447**
Operating expenses	1,086,301	1,061,957
Gross operating income	**170,048**	**146,489**
Sales, general and administrative costs	120,499	113,072
Net operating income	**49,548**	**33,417**
Other income		
Rents received	23,967	23,517
Others	4,628	4,267
Total other income	**28,596**	**27,785**
Other expenses		
Lease cost	17,625	15,714
Others	2,259	2,743
Total other expenses	**19,884**	**18,458**
Net ordinary income	**58,260**	**42,745**
Extraordinary gains		
Gain on sales of fixed assets	13	261
Compensation for transfer	1,256	337
Others	10	9
Total extraordinary gains	**1,280**	**609**
Extraordinary losses		
Losses on sales of fixed assets	3	1
Losses on disposal of fixed assets	836	601
Impairment losses	935	1,967
Provisions for losses on rebuilding of branches	68	652
Effect of adoption of accounting standard for asset retirement obligations	1,783	—
Loss on natural disaster	2,364	—
Others	48	24
Total extraordinary losses	**6,039**	**3,247**
Net income before income taxes	**53,501**	**40,106**
Income taxes current	22,839	21,210
Income taxes deferred	—	69
Total income taxes	**22,839**	**21,280**
Net income	**¥ 30,661**	**¥ 18,826**

Statements of Changes in Net Assets

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the current 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 beginning of the current fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Retained earnings		
Other retained earnings		
Reserve for special depreciation		
Balance at the beginning of the current fiscal year	—	—
Changes during the period		
Provision of reserve for special depreciation	—	29
Total changes during the period	—	29
Balance at the end of the current fiscal year	—	¥ 29
Reserve for deferred gains on fixed assets		
Balance at the beginning of the current fiscal year	—	—
Changes during the period		
Provision of reserve for deferred gains on fixed assets	—	95
Total changes during the period	—	95
Balance at the end of the current fiscal year	—	¥ 95
Retained earnings brought forward		
Balance at the beginning of the current fiscal year	¥ 67,122	¥ 89,538
Changes during the period		
Cash dividends	(8,245)	(7,665)
Provision of reserve for special depreciation	—	(29)
Provision of reserve for deferred gains on fixed assets	—	(95)
Net income	30,661	18,826
Total changes during the period	22,416	11,036
Balance at the end of the current fiscal year	¥ 89,538	¥ 100,575
Total shareholders' equity		
Balance at the beginning of the current fiscal year	¥ 267,122	¥ 289,538
Changes during the period		
Cash dividends	(8,245)	(7,665)
Net income	30,661	18,826
Total changes during the period	22,416	11,161
Balance at the end of the current fiscal year	¥ 289,538	¥ 300,700

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) 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 equipment attached to buildings) 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
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 transactions that do not transfer ownership are depreciated to the residual value of zero by the straight-line method during the lease term.
(4) Long-term prepaid expenses
Long-term prepaid expenses are amortized using the straight-line method.

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.

5. Principal matters serving as the basis for preparing 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* parcel service, 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).

Additional Information

[Application of Accounting Standard for Accounting Changes and Error Corrections]
For accounting changes and corrections of errors for prior period that are made on and after the beginning of the fiscal year ended March 31,2012, "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

Notes to Financial Statements

Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets: ¥163,030 million

2. Receivables and payables involving related parties
Accounts receivable and others ¥262 million
Accounts payable ¥12,457 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: ¥14,634 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, 2012 the potential cancellation claims were ¥127,298 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.: ¥1,240,000 million
Japan Post Insurance Co., Ltd.: ¥160,000 million

Notes to Statements of Income

Operating transactions with related parties
Operating income ¥7,804 million
Operating expenses ¥5,654 million
Sales, general and administrative costs ¥20,718 million
Other income ¥1,938 million
Other expenses —

Notes to Statements of Changes in Net Assets

1. Information concerning type and number of outstanding shares
(Thousands of shares)

	April 1, 2011	Increase	Decrease	March 31, 2012	Remarks
Outstanding shares					
Common	4,000	—	—	4,000	

Corporate Data

Financial Data

Others

2. Information concerning dividends
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 share-holders meetings on June 22, 2011	Common	7,665	1,916.36	March 31, 2011	June 22, 2011

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)

	2012 (As of March 31, 2012)
Retirement benefit obligation	(1,150,424)
Unfunded pension liabilities	(1,150,424)
Unrecognized actuarial differences	(22,645)
Unrecognized prior service cost	670
Net amount on balance sheet	(1,172,398)
Reserve for employees' retirement benefits	(1,172,398)

3. Information about retirement benefit expenses

(Millions of yen)

	2012 (From April 1, 2011 to March 31, 2012)
Service cost	54,899
Interest cost	19,524
Amortization of prior service cost	67
Amortization of actuarial differences	(1,638)
Retirement benefit expenses	72,853

4. Assumptions for the calculation of retirement benefit obligation

	2012 (As of March 31, 2012)
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

Subsequent Events

On April 27, 2012, the "Act for Partial Revision of the Postal Service Privatization Act and others" was enacted. As a result, the Postal Service Privatization Act (Act No. 97 of 2005) was amended. On the date determined by a Cabinet Order, Japan Post Network Co., Ltd. will change its corporate name to Japan Post Co., Ltd. as prescribed by Article 6-2-1 of the same Act and will take over the business of and merged with Japan Post Service Co., Ltd. as prescribed by Article 6-2-2 of the same Act.

Reference

Breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Operating expenses		
Personnel expenses	¥ 872,955	¥ 855,900
(of which amount deferred for reserve for employees' bonuses)	36,570	36,531
(of which retirement benefit expenses)	69,290	68,653
Expenses	213,345	206,057
Charges for facilities	81,362	81,209
Charges for fees and commissions	28,999	26,774
Depreciation expenses	20,010	19,802
Communication charges	13,852	12,408
Facility maintenance expenses	14,160	11,882
Utility expenses	12,910	12,587
Taxes and dues	8,119	8,056
Subcontractor expenses	7,024	7,028
Others	26,906	26,305
Total operating expenses	**¥ 1,086,301**	**¥ 1,061,957**
Sales, general and administrative costs		
Personnel expenses	59,666	53,565
(of which amount deferred for reserve for employees' bonuses)	2,959	2,583
(of which retirement benefit expenses)	4,437	4,200
Expenses	60,832	59,506
Charges for fees and commissions	21,781	18,740
Subcontractor expenses	8,111	8,514
Depreciation expenses	7,514	8,374
Taxes and dues	5,544	5,557
Advertising expenses	5,422	6,484
Others	12,459	11,835
Total sales, general and administrative costs	**¥ 120,499**	**¥ 113,072**

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

The balance sheets as of March 31, 2012 and 2011 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 Companies Act of Japan. (The following are translations into English of the audited financial statements in Japanese.)

Balance Sheets

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets		
Current assets		
Cash and deposits	¥ 188,071	¥ 279,856
Accounts receivable—trade	126,321	133,238
Securities	133,000	112,097
Merchandise	2,847	2,782
Supplies	3,492	3,657
Prepaid expenses	1,040	837
Income taxes receivable	1,004	—
Others	41,558	5,030
Allowance for doubtful accounts	(1,049)	(1,226)
Total current assets	496,286	536,275
Non-current assets		
Tangible fixed assets		
Automobiles and other vehicles: net	9,830	7,011
Buildings: net	589,433	553,958
Structures: net	12,341	11,668
Machinery: net	23,558	20,448
Tools and fixtures: net	9,683	7,709
Land	636,545	636,316
Leased assets: net	3,531	1,864
Construction in progress	885	4,120
Total tangible fixed assets	1,285,809	1,243,098
Intangible fixed assets		
Software	34,101	26,307
Others	3,650	3,916
Total intangible fixed assets	37,752	30,223
Investments and other assets		
Stock of related parties	38,457	38,457
Claims in bankruptcy	2,910	3,377
Long-term prepaid expenses	1,810	1,735
Others	3,312	2,133
Allowance for doubtful accounts	(2,905)	(3,373)
Total investments and other assets	43,585	42,330
Total non-current assets	1,367,147	1,315,653
Total Assets	**¥ 1,863,433**	**¥ 1,851,928**

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Liabilities		
Current liabilities		
Accounts payable—trade	¥ 53,457	¥ 48,403
Lease obligations	1,438	1,250
Accounts payable	139,719	161,230
Accrued expenses	12,173	11,456
Income taxes payable	—	3,638
Advance postal fees received	39,646	39,833
Deposits received	326,905	323,703
Reserve for employees' bonuses	39,620	39,428
Reserve for refund for Fumi Cards	42	—
Others	1,587	1,285
Total current liabilities	614,590	630,231
Long-term liabilities		
Lease obligations	2,215	701
Reserve for employees' retirement benefits	1,048,986	1,027,469
Reserve for directors' retirement benefits	79	120
Others	6,015	6,383
Total long-term liabilities	1,057,297	1,034,676
Total Liabilities	**¥ 1,671,887**	**¥ 1,664,907**
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		
Retained earnings brought forward	(8,453)	(12,979)
Total retained earnings	(8,453)	(12,979)
Total shareholders' equity	191,546	187,020
Total Net Assets	**¥ 191,546**	**¥ 187,020**
Total Liabilities and Net Assets	**¥ 1,863,433**	**¥ 1,851,928**

Statements of Income

(Millions of yen)

Item	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Operating income	¥ 1,779,870	¥ 1,764,861
Operating expenses	1,783,128	1,696,324
Gross operating income (loss)	**(3,258)**	**68,537**
Sales, general and administrative costs	100,215	90,891
Net operating loss	**(103,473)**	**(22,354)**
Other income		
Dividends income	1,460	3,431
Rents received	18,716	16,388
Others	3,163	2,580
Total other income	**23,340**	**22,399**
Other expenses		
Lease cost	6,314	7,952
Others	2,645	2,099
Total other expenses	**8,959**	**10,052**
Net ordinary loss	**(89,093)**	**(10,007)**
Extraordinary gains		
Gain on sales of fixed assets	74	12
Reversal of allowance for doubtful accounts	5,453	—
Others	444	—
Total extraordinary gains	**5,972**	**12**
Extraordinary losses		
Losses on disposal of fixed assets	3,204	2,085
Loss on cancellation of lease contracts	346	320
Loss on natural disaster	1,252	—
Others	474	227
Total extraordinary losses	**5,277**	**2,633**
Net loss before income taxes	**(88,398)**	**(12,627)**
Income taxes current	(52,962)	(8,102)
Total income taxes	**(52,962)**	**(8,102)**
Net loss for the current fiscal year	**¥ (35,435)**	**¥ (4,525)**

Statements of Changes in Net Assets

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the current 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 beginning of the current fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the current fiscal year	¥ 26,981	¥ (8,453)
Changes during the period		
Net loss for the current fiscal year	(35,435)	(4,525)
Total changes during the period	(35,435)	(4,525)
Balance at the end of the current fiscal year	¥ (8,453)	¥ (12,979)
Total shareholders' equity		
Balance at the beginning of the current fiscal year	¥ 226,981	¥ 191,546
Changes during the period		
Net loss for the current fiscal year	(35,435)	(4,525)
Total changes during the period	(35,435)	(4,525)
Balance at the end of the current fiscal year	¥ 191,546	¥ 187,020

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
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 equipment attached to buildings) is computed by the straight-line method.)
Useful lives for main depreciable items are as follows:
Automobiles and other vehicles: 2-7 years
Buildings: 2-50 years
Structures: 2-75 years
Machinery: 2-17 years
Tools and fixtures: 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 transactions that do not transfer 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 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.
(4) 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. Principal matters serving as the basis for preparing 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.

Changes in Presentation

(Balance sheets presentation)
"Accounts receivable," which was stated as a separate category under Current assets in the previous fiscal year, is included in "Other current assets" in the current fiscal year because it declined to less than 1/100 of total assets. To reflect this change in presentation method, the Company has restated its Financial Statements for the previous fiscal year.
As a result, ¥40,919 million in "Accounts receivable" and ¥639 million in "Other current assets" listed under Current assets on the Balance Sheets in the previous fiscal year have been restated as ¥41,558 million in "Other current assets" under Current assets.

(Statements of income presentation)
1. "Dividends income," which was included in "Others" under Other income in the previous fiscal year, is stated as a separate category in the current fiscal year because it exceeded 10/100 of total Other income. To reflect this change in presentation method, the Company has restated its Financial Statements for the previous fiscal year.
As a result, ¥4,623 million listed as "Others" under Other income on the Statements of Income for the previous fiscal year has been restated as ¥1,460 million in "Dividends income" and ¥3,163 million in "Others."

2. "Gain on sales of fixed assets," which was included in "Others" under Extraordinary gains in the previous fiscal year, is stated as a separate category in the current fiscal year because it exceeded 10/100 of total Extraordinary gains. To reflect this change in presentation method, the Company has restated its Financial Statements for the previous fiscal year.
As a result, ¥518 million listed as "Others" under Extraordinary gains on the Statements of Income for the previous fiscal year has been restated as ¥74 million in "Gain on sales of fixed assets" and ¥444 million in "Others."

3. "Loss on cancellation of lease contracts," which was included in "Others" under Extraordinary losses in the previous fiscal year, is stated as a separate category in the current fiscal year because it exceeded 10/100 of total Extraordinary losses. To reflect this change in presentation method, the Company has restated its Financial Statements for the previous fiscal year.
As a result, ¥820 million in "Others" under Extraordinary losses on the Statements of Income for the previous fiscal year has been restated as ¥346 million in "Loss on cancellation of lease contracts" and ¥474 million in "Others."

Additional Information

(Application of Accounting Standard for Accounting Changes and Error Corrections)
For accounting changes and corrections of errors for prior period that are made on and after the beginning of the fiscal year ended March 31, 2012, "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

Notes to Financial Statements

Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets: ¥282,542 million

2. Receivables and payables involving related parties

Short-term receivables:	¥764 million
Short-term payables:	¥29,339 million

3. Assets pledged as collateral
As prescribed by laws concerning Financial Settlements, other assets within investments and other assets include assets pledged as collateral of ¥699 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.

Notes to Statements of Income

1. The following shows operating transactions and other transactions with related parties.

Operating transactions (received):	¥6,993 million
Operating transactions (paid):	¥138,791 million
Transactions other than operational (received):	¥665 million

2. Details of loss on disposal of fixed assets

Automobiles and other vehicles:	¥2 million
Buildings:	¥511 million
Structures:	¥67 million
Machinery:	¥1,457 million
Tools and fixtures:	¥25 million
Software:	¥19 million
Others:	¥1 million
Total:	¥2,085 million

Notes to Statements of Changes in Net Assets

1. Information concerning types and number of outstanding shares

(Thousands of shares)

		April 1, 2011	Increase	Decrease	March 31, 2012	Remarks
Outstanding of shares						
	Common Shares	4,000	—	—	4,000	

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

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)

2012 (As of March 31, 2012)	
Retirement benefit obligation	(982,065)
Unrecognized actuarial differences	(45,404)
Reserve for employees' retirement benefits	(1,027,469)

3. Information about retirement benefit expenses

(Millions of yen)

2012 (From April 1, 2011 to March 31, 2012)	
Service cost	49,173
Interest cost	15,983
Amortization of actuarial differences	(4,120)
Extraordinary premium retirement allowances	392
Retirement benefit expenses	61,428

4. Assumptions for the calculation of retirement benefit obligation

2012 (As of March 31, 2012)	
Recognition method of projected retirement benefit	Straight-line method over the determined period
Discount rate	1.6%
Recognition period of actuarial differences	13 years

Subsequent Events

On April 27, 2012, the "Act for Partial Revision of the Postal Service Privatization Act and others" was enacted. As a result, the Postal Service Privatization Act (Act No. 97 of 2005) was amended. On the date determined by a Cabinet Order, Japan Post Network Co., Ltd. will change its corporate name to Japan Post Co., Ltd. as prescribed by Article 6-2-1 of the same Act and Japan Post Co., Ltd. will take over the business of and merged with Japan Post Service Co., Ltd. as prescribed by Article 6-2-2 of the same Act.

Reference

Breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Operating expenses		
Personnel expenses	¥ 1,127,509	¥ 1,089,298
(of which amount deferred for reserve for employees' bonuses)	38,199	37,844
(of which retirement benefit expenses)	59,950	59,081
Expenses	655,619	607,025
Expenses for fuels	10,366	11,723
Fleet maintenance expenses	9,210	9,588
Purchasing expenses for stamps, postcards and others	13,017	13,007
Depreciation expenses	55,611	55,459
Charges for facilities	20,385	18,447
Taxes and dues	10,809	10,255
Collection, delivery and transport outsourcing expenses	226,953	216,887
Commissions for Japan Post Network Co., Ltd.	203,535	183,250
Handling commission fees	23,843	23,297
Others	81,885	65,108
Total operating expenses	**¥ 1,783,128**	**¥ 1,696,324**
Sales, general and administrative costs		
Personnel expenses	35,219	34,763
(of which amount deferred for reserve for employees' bonuses)	1,420	1,563
(of which retirement benefit expenses)	2,733	2,346
Expenses	64,995	56,128
Depreciation expenses	11,526	13,679
Advertisement fees	7,411	3,709
Taxes and dues	3,324	4,011
Charges for fees and commissions	20,636	17,915
Others	22,097	16,812
Total sales, general and administrative costs	**¥ 100,215**	**¥ 90,891**

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

The balance sheets as of March 31, 2012 and 2011 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 Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

Balance Sheets

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets:		
Cash and due from banks (Notes 17 and 20):	¥ 5,050,921	¥ 2,744,630
Cash	158,149	121,510
Due from banks	4,892,771	2,623,119
Call loans (Note 20)	429,663	1,206,290
Receivables under securities borrowing transactions (Note 20)	4,483,396	5,778,828
Monetary claims bought (Note 20)	133,214	94,867
Trading account securities (Notes 20 and 21):	282	216
Trading Japanese government bonds	282	216
Money held in trust (Notes 20 and 21)	1,806,768	3,715,446
Securities (Notes 8, 19, 20, 21 and 22):	175,026,411	175,953,292
Japanese Government Bonds	146,460,963	144,939,816
Japanese local government bonds	5,658,837	5,735,585
Japanese corporate bonds	12,907,752	12,846,374
Other securities	9,998,859	12,431,516
Loans (Notes 20 and 23):	4,238,772	4,134,547
Loans on deeds	4,015,810	3,912,823
Overdrafts	222,961	221,724
Foreign exchanges (Note 3)	4,735	2,630
Other assets (Notes 4, 8 and 20)	1,954,512	1,804,199
Tangible fixed assets (Note 5)	151,255	160,171
Intangible fixed assets (Note 6)	55,157	65,986
Customers' liabilities for acceptances and guarantees (Note 7)	110,000	160,000
Reserve for possible loan losses (Note 20)	(1,742)	(1,210)
Total assets	¥ 193,443,350	¥ 195,819,898

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Liabilities:		
Deposits (Notes 8, 9 and 20)	¥ 174,653,220	¥ 175,635,370
Payables under securities lending transactions (Notes 8 and 20)	8,083,860	8,302,091
Foreign exchanges (Note 3)	178	152
Other liabilities (Note 10)	1,201,573	1,377,341
Contingent liabilities (Note 11)		
Reserve for employees' bonuses	4,797	5,185
Reserve for employees' retirement benefits (Note 24)	133,517	135,982
Reserve for directors' retirement benefits	133	170
Deferred tax liabilities (Note 25)	162,434	385,441
Acceptances and guarantees (Notes 7 and 8)	110,000	160,000
Total liabilities	184,349,715	186,001,735
Net assets (Note 16):		
Common stock	3,500,000	3,500,000
Capital surplus	4,296,285	4,296,285
Retained earnings	894,828	1,150,595
Total shareholders' equity	8,691,114	8,946,881
Net unrealized gains on available-for-sale securities (Note 21)	392,251	941,871
Deferred gains (losses) on hedges	10,269	(70,589)
Total valuation and translation adjustments	402,520	871,281
Total net assets	9,093,634	9,818,162
Total liabilities and net assets	¥ 193,443,350	¥ 195,819,898

See notes to financial statements.

Statements of Income

(Millions of yen)

Item	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Revenues:		
Interest income:	¥ 2,044,121	¥ 2,006,939
Interest on loans	49,471	47,770
Interest and dividends on securities	1,972,154	1,947,853
Interest on call loans	256	1,933
Interest on receivables under securities borrowing transactions	4,923	5,368
Interest on deposits with banks	1,528	2,557
Other interest income	15,786	1,457
Fees and commissions:	109,694	112,446
Fees and commissions on domestic and foreign exchanges	64,194	63,875
Other fees and commissions	45,500	48,571
Other operating income (Note 12)	24,134	24,398
Other income (Note 13)	27,431	90,856
Total revenues	2,205,381	2,234,640
Expenses:		
Interest expenses:	360,685	334,205
Interest on deposits	305,873	273,738
Interest on call money	—	0
Interest on payables under securities lending transactions	9,193	10,970
Interest on borrowings	14,018	0
Interest on interest rate swaps	31,179	49,019
Other interest expenses	419	477
Fees and commissions:	21,703	23,985
Fees and commissions on domestic and foreign exchanges	1,929	2,362
Other fees and commissions	19,773	21,623
Other operating expenses (Note 14)	79,648	120,205
General and administrative expenses	1,209,939	1,173,914
Other expenses (Note 15)	8,193	8,550
Total expenses	1,680,170	1,660,860
Income before income taxes	**525,211**	**573,780**
Income taxes (Note 25):		
Current	199,790	226,397
Deferred	9,091	12,532
Total income taxes	208,881	238,930
Net income	**¥ 316,329**	**¥ 334,850**

(Yen)

	2011	2012
Net income per share (Note 29)	¥ 2,108.86	¥ 2,232.33

See notes to financial statements.

Statements of Changes in Net Assets

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' Equity:		
Common stock:		
Balance at beginning of fiscal year	¥ 3,500,000	¥ 3,500,000
Balance at end of fiscal year	3,500,000	3,500,000
Capital surplus:		
Balance at beginning of fiscal year	4,296,285	4,296,285
Balance at end of fiscal year	4,296,285	4,296,285
Retained earnings:		
Balance at beginning of fiscal year	652,598	894,828
Changes during the fiscal year:		
Cash dividends	(74,100)	(79,083)
Net income	316,329	334,850
Total changes during the fiscal year	242,229	255,767
Balance at end of fiscal year	894,828	1,150,595
Total shareholders' equity:		
Balance at beginning of fiscal year	8,448,884	8,691,114
Changes during the fiscal year:		
Cash dividends	(74,100)	(79,083)
Net income	316,329	334,850
Total changes during the fiscal year	242,229	255,767
Balance at end of fiscal year	8,691,114	8,946,881
Valuation and Translation Adjustments:		
Net unrealized gains on available-for-sale securities:		
Balance at beginning of fiscal year	382,593	392,251
Changes during the fiscal year:		
Net changes in items other than shareholders' equity	9,657	549,619
Total changes during the fiscal year	9,657	549,619
Balance at end of fiscal year	392,251	941,871
Deferred gains (losses) on hedges:		
Balance at beginning of fiscal year	8,069	10,269
Changes during the fiscal year:		
Net changes in items other than shareholders' equity	2,199	(80,859)
Total changes during the fiscal year	2,199	(80,859)
Balance at end of fiscal year	10,269	(70,589)
Total valuation and translation adjustments:		
Balance at beginning of fiscal year	390,663	402,520
Changes during the fiscal year:		
Net changes in items other than shareholders' equity	11,857	468,760
Total changes during the fiscal year	11,857	468,760
Balance at end of fiscal year	402,520	871,281
Total Net Assets:		
Balance at beginning of fiscal year	8,839,547	9,093,634
Changes during the fiscal year:		
Cash dividends	(74,100)	(79,083)
Net income	316,329	334,850
Net changes in items other than shareholders' equity	11,857	468,760
Total changes during the fiscal year	254,087	724,527
Balance at end of fiscal year	¥ 9,093,634	¥ 9,818,162

See notes to financial statements.

Statements of Cash Flows

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities:		
Income before income taxes	¥ 525,211	¥ 573,780
Adjustments for:		
Depreciation and amortization	34,959	35,108
Losses on impairment of fixed assets	14	1,149
Net change in reserve for possible loan losses	186	(531)
Net change in reserve for employees' bonuses	(2,017)	387
Net change in reserve for employees' retirement benefits	4,502	2,464
Net change in reserve for directors' retirement benefits	(60)	37
Interest income	(2,044,121)	(2,006,939)
Interest expenses	360,685	334,205
Losses related to securities	55,256	19,447
Gains on money held in trust—net	(13,750)	(81,970)
Foreign exchange losses (gains)—net	(1,949)	28,590
Losses on sales and disposals of fixed assets—net	870	1,286
Net change in loans	(217,672)	102,604
Net change in deposits	(1,144,495)	982,149
Proceeds from maturity of deposits (to the fiscal loan fund)	2,000,000	—
Net change in borrowed money	(2,000,000)	—
Net change in negotiable certificates of deposit	35,000	460,000
Net change in call loans	(176,976)	(738,267)
Net change in receivables under securities borrowing transactions	(1,987,773)	(1,295,432)
Net change in payables under securities lending transactions	1,847,843	218,230
Net change in foreign exchange assets	1,125	2,104
Net change in foreign exchange liabilities	61	(25)
Interest received	2,232,745	2,196,867
Interest paid	(431,068)	(189,879)
Other—net	(38,698)	141,292
Subtotal	(960,122)	786,659
Income taxes paid	(211,355)	(194,183)
Net cash provided by (used in) operating activities	(1,171,477)	592,475
Cash flows from investing activities:		
Purchases of securities	(48,460,223)	(54,875,266)
Proceeds from sales of securities	8,245,344	1,407,734
Proceeds from maturity of securities	42,873,958	53,047,690
Investment in money held in trust	(1,110,000)	(3,063,706)
Proceeds from disposition of money held in trust	397,641	1,179,325
Purchases of tangible fixed assets	(32,134)	(31,551)
Proceeds from sales of tangible fixed assets	90	119
Purchases of intangible fixed assets	(24,592)	(23,637)
Other—net	54	(995)
Net cash provided by (used in) investing activities	1,890,138	(2,360,286)
Cash flows from financing activities:		
Cash dividends paid	(74,100)	(79,083)
Net cash used in financing activities	(74,100)	(79,083)
Effect of exchange rate changes on cash and cash equivalents	**555**	**603**
Net change in cash and cash equivalents	**645,117**	**(1,846,290)**
Cash and cash equivalents at beginning of fiscal year	**3,360,804**	**4,005,921**
Cash and cash equivalents at end of fiscal year (Note 17)	**¥ 4,005,921**	**¥ 2,159,630**

See notes to financial statements.

Notes to Financial Statements

1. Basis of Presenting Financial Statements
JAPAN POST BANK Co., Ltd. (the "Bank") became a private bank under the Banking Act of Japan (the "Banking Act"), 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 Act.
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 Act (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 ¥82.19 to US$1.00, the approximate rate of exchange as of March 31, 2012. 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 the 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, 2012 and 2011 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2012 and 2011 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 earnings for 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' bonuses 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.
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:
The Bank uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets and liabilities. 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" (Report No. 24 of the Industry Audit Committee of JICPA).
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.
In order to hedge risk arising from volatility of exchange rates for

securities denominated in foreign currencies, the Bank applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.

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

j. 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.

k. 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.

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

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 standards and guidance on income before income taxes were immaterial.

n. Additional Information—Adoption of the Accounting Standard for Accounting Changes and Error Corrections—The Bank has adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for changes in accounting policies and corrections of prior period errors which are made on or after April 1, 2011.

3. Foreign Exchanges

Foreign exchanges as of March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Assets:		
Due from foreign banks	¥ 4,717	¥ 2,603
Foreign bills bought and foreign exchanges purchased	17	27
Total	¥ 4,735	¥ 2,630
Liabilities:		
Foreign bills sold	¥ 61	¥ 34
Foreign bills payable	117	117
Total	¥ 178	¥ 152

4. Other Assets

Other assets as of March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Domestic exchange settlement accounts—debit	¥ 12,339	¥ 4,322
Prepaid expenses	17,736	15,215
Accrued income	366,138	373,672
Derivatives other than trading	53,778	29,305
Other	1,504,520	1,381,683
Total	¥ 1,954,512	¥ 1,804,199

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Buildings	¥ 91,502	¥ 103,951
Land	27,106	26,991
Construction in progress	7,574	41
Other	146,273	167,850
Subtotal	272,458	298,835
Accumulated depreciation	121,202	138,664
Total	¥ 151,255	¥ 160,171

6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Software	¥ 81,471	¥ 97,132
Other	32,555	41,594
Subtotal	114,026	138,727
Accumulated depreciation	58,868	72,740
Total	¥ 55,157	¥ 65,986

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, 2012 and 2011 were as follows:

(Millions of yen)

	2011	2012
Assets pledged as collateral:		
Securities	¥51,404,705	¥41,832,604
Liabilities corresponding to assets pledged as collateral:		
Deposits	45,110,398	35,153,099
Payables under securities lending transactions	8,083,860	8,302,091
Acceptances and guarantees	110,000	160,000

Additionally, securities as of March 31, 2012 and 2011 amounting to ¥4,020,287 million ($48,914,555 thousand) and ¥1,544,024 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, 2012 and 2011, guarantee deposits amounting to ¥1,515 million ($18,435 thousand) and ¥1,313 million, respectively, are included in "Other assets" in the accompanying balance sheets.

9. Deposits

Deposits as of March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Transfer deposits	¥ 8,714,719	¥ 9,474,107
Ordinary deposits	44,693,518	44,974,076
Savings deposits	422,238	411,182
Time deposits	21,911,332	18,426,695
Special deposits*	45,095,189	35,139,156
TEIGAKU deposits**	53,514,432	66,950,563
Other deposits	301,789	259,588
Total	¥ 174,653,220	¥ 175,635,370

* "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 Act Implementation Regulations.

10. Other Liabilities

Other liabilities as of March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Domestic exchange settlement accounts—credit	¥ 18,417	¥ 8,784
Income taxes payable	33,875	42,301
Accrued expenses	794,763	919,086
Unearned income	60	49
Derivatives other than trading	54,116	187,374
Asset retirement obligations	212	147
Other	300,128	219,596
Total	¥ 1,201,573	¥ 1,377,341

11. 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, 2012 and 2011 are as follows:

(Millions of yen)

	2011	2012
One year or less	¥ 29,530	¥ 8,785
Over one year	20,640	11,856
Total	¥ 50,171	¥ 20,641

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.

12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Gains on sales of bonds	¥ 24,124	¥ 24,398
Income from derivatives other than for trading or hedging	10	—
Total	¥ 24,134	¥ 24,398

13. Other Income

Other income for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Gains on money held in trusts	¥ 18,513	¥ 86,266
Reversal of reserve for possible loan losses	—	298
Recoveries of written-off claims	17	21
Gains on sales and disposals of fixed assets	20	44
Other	8,880	4,226
Total	¥ 27,431	¥ 90,856

14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Losses on foreign exchanges	¥ 267	¥ 67,971
Losses on sales of bonds	79,381	32,134
Losses on devaluation of bonds	—	11,711
Expenses on derivatives other than for trading or hedging	—	8,387
Total	¥ 79,648	¥ 120,205

15. Other Expenses

Other expenses for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Provision for reserve for possible loan losses	¥ 424	¥ —
Losses on money held in trust	4,763	4,296
Losses on sales and disposals of fixed assets	890	1,330
Losses on impairment of fixed assets	14	1,149
Losses on disaster	470	—
Other	1,628	1,774
Total	¥ 8,193	¥ 8,550

16. Shareholders' 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 that 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 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 shareholders 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, 2012 and 2011 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, 2011 Common stock	600,000	150,000	—	—	150,000
March 31, 2012 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, 2012:

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

Of dividends whose record date was included in the fiscal years ended March 31, 2012 and 2011, those whose effective date occurs after the fiscal year's closing:

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

2012					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 8, 2012	Common stock	¥83,713	¥558.09	March 31, 2012	May 9, 2012

17. 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, 2012 and 2011 was as follows:

(Millions of yen)

	2011	2012
Cash and due from banks	¥ 5,050,921	¥ 2,744,630
Due from banks, – negotiable certificates of deposit in other banks	(1,045,000)	(585,000)
Cash and cash equivalents	¥ 4,005,921	¥ 2,159,630

18. Leases

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2012 and 2011 were as follows:

(Millions of yen)

	2011	2012
Due within one year	¥ 488	¥ 1,200
Due over one year	453	1,150
Total	¥ 941	¥ 2,350

19. Securities

As of the end of the fiscal years ended March 31, 2012 and 2011, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥5,792,636 million ($70,478,605 thousand) and ¥4,507,695 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.

20. 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.

The Bank uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets and liabilities. 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" (Report No. 24 of the Industry Audit Committee of JICPA).

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.

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

In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the Bank applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.

In case of the individual hedges, the Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and 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, 2012 and 2011, the Bank calculates its market risk volume (estimated potential losses from such risk) at ¥1,910,470 million ($23,244,564 thousand) and ¥1,606,644 million, respectively. 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, 2012 and 2011 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)

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)	¥ —

(Millions of yen)

2012			
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 2,744,630	¥ 2,744,630	—
(2) Call loans	1,206,290	1,206,290	—
(3) Receivables under securities borrowing transactions	5,778,828	5,778,828	—
(4) Monetary claims bought	94,867	94,867	—
(5) Trading account securities:			
Securities classified as trading purposes	216	216	—
(6) Money held in trust	3,715,446	3,715,446	—
(7) Securities:			
Held-to-maturity securities	104,340,202	107,409,610	¥ 3,069,407
Available-for-sale securities	71,612,190	71,612,190	—
(8) Loans:	4,134,547		
Reserve for possible loan losses**	(188)		
	4,134,359	4,230,877	96,518
Total assets	¥ 193,627,032	¥ 196,792,957	¥ 3,165,925
(1) Deposits	¥ 175,635,370	¥ 176,243,909	¥ 608,539
(2) Payables under securities lending transactions	8,302,091	8,302,091	—
Total liabilities	¥ 183,937,461	¥ 184,546,001	¥ 608,539
Derivative transactions***:			
For which hedge accounting is not applied	¥ 553	¥ 553	¥ —
For which hedge accounting is applied	(158,622)	(158,622)	—
Total derivative transactions	¥ (158,068)	¥ (158,068)	¥ —

* 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, etc., are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

(Note 1)
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 21. Fair Value Information for Securities.
(7) Securities
For bonds, the Bank uses the price at the exchange market, the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by 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 21. 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.

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.

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, 2012 and 2011 were as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities."

(Millions of yen)

	2011	2012
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 years ended March 31, 2011 and 2012 were as follows:

(Millions of yen)

2011						
	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

(Millions of yen)

	2012					
	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	¥ 2,623,119	—	—	—	—	—
Call loans	1,206,290	—	—	—	—	—
Receivables under securities borrowing transactions	5,778,828	—	—	—	—	—
Monetary claims bought	3,302	¥ 4,448	¥ 5,754	¥ 15,505	¥ 10,000	¥ 54,848
Securities:	43,521,288	44,509,863	31,635,264	21,697,706	25,261,869	4,645,498
Held-to-maturity securities:	22,573,562	31,121,693	24,427,954	13,288,397	12,737,398	—
Japanese Government Bonds	20,908,480	28,049,600	22,614,340	11,348,000	12,235,800	—
Japanese local government bonds	418,713	1,335,414	700,513	44,622	—	—
Japanese corporate bonds	1,207,194	1,619,186	1,041,414	1,890,084	501,598	—
Other securities	39,175	117,492	71,686	5,690	—	—
Available-for-sale securities (with maturity date):	20,947,725	13,388,170	7,207,309	8,409,309	12,524,471	4,645,498
Japanese Government Bonds	19,345,620	8,991,378	3,198,113	4,771,424	8,913,037	3,401,100
Japanese local government bonds	103,044	449,895	609,790	734,350	1,178,236	37,902
Japanese corporate bonds	986,928	1,670,251	1,087,879	808,240	799,940	1,113,715
Other securities	512,132	2,276,645	2,311,527	2,095,294	1,633,257	92,780
Loans	808,404	1,206,845	789,324	407,967	542,222	374,394
Total	¥ 53,941,234	¥ 45,721,157	¥ 32,430,342	¥ 22,121,179	¥ 25,814,092	¥ 5,074,741

(Note 4)
Scheduled repayment amounts of other interest-bearing liabilities subsequent to fiscal years ended March 31, 2012 and 2011 were as follows:

(Millions of yen)

	2011					
	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	¥ —

(Millions of yen)

	2012					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 79,890,737	¥ 6,667,996	¥ 11,563,714	¥ 35,104,295	¥ 42,408,626	¥ —
Payables under securities lending transactions	8,302,091	—	—	—	—	—
Total	¥ 88,192,829	¥ 6,667,996	¥ 11,563,714	¥ 35,104,295	¥ 42,408,626	¥ —

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

21. 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 years ended March 31, 2012 and 2011.

b. Held-to-maturity securities

(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

(Millions of yen)

2012				
	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	¥ 95,106,378	¥ 97,896,746	¥ 2,790,367
	Japanese local government bonds	2,494,009	2,570,416	76,407
	Japanese corporate bonds	6,006,702	6,200,069	193,366
	Others	178,096	188,019	9,922
	Total	103,785,187	106,855,251	3,070,063
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	229,998	229,993	(5)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	269,069	268,967	(101)
	Others	55,947	54,184	(1,762)
	Total	555,014	553,145	(1,869)
Total		¥ 104,340,202	¥ 107,408,396	¥ 3,068,194

c. Investments in subsidiaries and affiliates

As of March 31, 2012 and 2011, 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, 2012 and 2011 were as follows:

(Millions of yen)

	2011	2012
	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)

2011				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥ 37,649,021	¥ 37,078,630	¥ 570,391
	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:	10,663,778	10,722,944	(59,166)
	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

(Millions of yen)

2012				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	¥ 44,710,655	¥ 43,709,135	¥ 1,001,520
	Japanese Government Bonds	35,572,628	34,803,998	768,629
	Japanese local government bonds	3,211,041	3,114,688	96,352
	Japanese corporate bonds	5,926,986	5,790,447	136,538
	Others	10,016,347	9,634,637	381,709
	Total	54,727,003	53,343,772	1,383,230
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	14,704,962	14,763,858	(58,896)
	Japanese Government Bonds	14,030,810	14,032,690	(1,879)
	Japanese local government bonds	30,535	30,570	(34)
	Japanese corporate bonds	643,616	700,598	(56,981)
	Others	2,860,091	2,944,166	(84,075)
	Total	17,565,053	17,708,025	(142,971)
Total		¥ 72,292,057	¥ 71,051,798	¥ 1,240,259

Note: Within the difference of Available-for-sale securities whose fair value is available, the amount included in statements of income due to applying fair value hedge accounting was ¥11,310 million ($137,608 thousand) of profit as of March 31, 2012.

e. Held-to-maturity securities sold during the fiscal years

Held-to-maturity securities sold during the fiscal years ended March 31, 2012 and 2011 consisted of the following:

(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

(Millions of yen)

2012			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥ 50,015	¥ 50,124	¥ 109
Total	¥ 50,015	¥ 50,124	¥ 109

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 sold during the fiscal year

Available-for-sale securities sold during the fiscal years ended March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

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

(Millions of yen)

2012			
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	¥ 614,479	¥ 10,653	¥ (2,798)
Japanese Government Bonds	394,563	7,178	(2,219)
Japanese corporate bonds	219,916	3,475	(579)
Others	743,229	13,744	(29,336)
Total	¥ 1,357,709	¥ 24,398	¥ (32,134)

Note: For the securities (excluding trading securities) with market quotations, 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 year ended March 31, 2012 amounted to ¥11,711 million ($142,492 thousand). No impairment loss was recognized for the fiscal year ended March 31, 2011.

The criteria for determining if a security's fair value shows a "substantial decline" are as follows:

a) Securities other than bonds
- 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

b) Bonds
- Securities whose fair value is 70% or less than the acquisition cost

g. Money held in trust

The Bank did not hold money held in trust for the purpose of trading or held-to-maturity as of March 31, 2012 and 2011.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2012 and 2011 were as follows:

(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)

(Millions of yen)

2012					
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥ 3,715,446	¥ 3,476,818	¥ 238,628	¥ 272,865	¥ (34,237)

Note: For the money held in trust (excluding money held in trust for the purpose of trading) 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 reduces its book value of securities at fair value on the balance sheet and charges 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, 2012 and 2011 amounted to ¥17,352 million ($211,125 thousand) and ¥19,653 million, respectively.

The criteria for determining if a security's fair value shows a "substantial decline" are as follows:

a) Securities other than bonds

• 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

b) Bonds

• Securities whose fair value is 70% or less than the acquisition cost

h. Unrealized gains (losses) on available-for-sale securities

Unrealized gains (losses) on available-for-sale securities as of March 31, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Valuation differences:	¥ 661,348	¥ 1,467,577
Available-for-sale securities	524,154	1,228,949
Available-for-sale money held in trust	137,194	238,628
Deferred tax assets (liabilities)	(269,097)	(525,706)
Unrealized gains (losses) on available-for-sale securities	¥ 392,251	¥ 941,871

Note: Within the valuation difference of Available-for-sale securities, the amount included in statements of income due to applying fair value hedge accounting was ¥11,310 million ($137,608 thousand) of profit as of March 31, 2012.

22. Derivatives

a. Derivatives for which hedge accounting is not applied as of March 31, 2012 and 2011

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 derivatives: None as of March 31, 2012 and 2011

(2) Currency-related derivatives as of March 31, 2012 and 2011:

The Bank had the following derivative instruments outstanding as of March 31, 2012 and 2011:

Currency-related derivatives (as of March 31, 2011)

(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

Currency-related derivatives (as of March 31, 2012)

(Millions of yen)

2012					
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥ 4,298	¥ 4,138	¥ 441	¥ 441
	Foreign exchange forward contracts—bought	7,933	—	112	112
Total		—	—	¥ 553	¥ 553

Notes:1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the statements 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, 2012 and 2011
(4) Bond-related derivatives: None as of March 31, 2012 and 2011
(5) Commodity-related derivatives: None as of March 31, 2012 and 2011
(6) Credit derivatives: None as of March 31, 2012 and 2011

b. Derivatives for which hedge accounting is applied as of March 31, 2012 and 2011
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 derivatives

(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)

(Millions of yen)

2012					
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	¥ 2,643,800	¥ 2,643,800	¥ (114,252)
	Receive fixed swaps, pay floating swaps		1,500,000	1,050,000	630
Total			—	—	¥ (113,622)

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 derivatives

(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

(Millions of yen)

2012					
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)	¥ 418,386	¥ 386,787	¥ 20,277
	Currency swap		1,304,485	1,239,354	(61,672)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	40,273	—	(3,605)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	237,392	189,995	(Note 3)
	Currency swap		20,977	20,977	—
Total			—	—	¥ (45,000)

Notes: 1. Deferred hedging is primarily 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 securities being hedged, and their fair value is therefore included in that of the corresponding securities under Note 20. Financial Instruments.

(3) Equity-related derivatives: None as of March 31, 2012 and 2011
(4) Bond-related derivatives: None as of March 31, 2012 and 2011

23. Loans

There were no past-due loans, before reserves, as of March 31, 2012 (¥2 million 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 for three months or more," and "Restructured loans" did not exist as of March 31, 2012 and 2011.

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 to ¥27,735 million ($337,449 thousand) and ¥10,235 million as of March 31, 2012 and 2011, respectively. Of this amount, ¥25,000 million ($304,173 thousand) and ¥7,500 million as of March 31, 2012 and 2011, 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's established internal procedures and takes necessary measures to protect its credit.

24. 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, 2012 and 2011 consisted of the following:

(Millions of yen)

	2011	2012
Projected benefit obligation	¥ (127,408)	¥ (129,186)
Unfunded projected benefit obligation	(127,408)	(129,186)
Unrecognized net actuarial losses	(6,108)	(6,796)
Net amount recorded on the balance sheets	(133,517)	(135,982)
Reserve for employees' retirement benefits	¥ (133,517)	¥ (135,982)

The breakdown of total retirement benefit costs for the years ended March 31, 2012 and 2011 was as follows:

(Millions of yen)

	2011	2012
Service cost	¥ 6,259	¥ 6,461
Interest cost on projected benefit obligation	2,184	2,190
Amortization of unrecognized net actuarial losses	(308)	(676)
Others	—	0
Total retirement benefit costs	¥ 8,135	¥ 7,976

Assumptions used in the calculation of the above information for the years ended March 31, 2012 and 2011 are set forth as follows:

	2011	2012
Discount rate	1.7%	1.7%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Amortization period of unrecognized actuarial losses	10 years	10 years

25. Income Taxes

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

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

(Millions of yen)

	2011	2012
Deferred tax assets:		
Reserve for possible loan losses	¥ 473	¥ 206
Reserve for employees' retirement benefits	54,327	48,843
Depreciation	13,087	13,573
Accrued interest on deposits	17,266	14,690
Impairment losses of money held in trust	14,041	9,813
Net deferred losses on hedges	—	39,088
Accrued enterprise taxes	7,757	8,996
Other	13,387	19,156
Total deferred tax assets	120,340	154,367
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(269,097)	(525,706)
Other	(13,677)	(14,103)
Total deferred tax liabilities	(282,774)	(539,809)
Net deferred tax assets (liabilities)	¥(162,434)	¥(385,441)

For the fiscal years ended March 31, 2012 and 2011, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

Adjustment of deferred tax assets and deferred tax liabilities due to changes in the corporate income tax rates

"Act to Partially Modify the Income Tax Act in Order to Construct a Tax System Responsive to Changes in the Structure of the Economy and Society" (Act 114 of 2011), and "Act on Special Measures to Secure the Financial Resources to Implement Restoration after the Great East Japan Earthquake" (Act 117 of 2011), were publically announced on December 2, 2011. These laws will reduce corporate income tax rates but impose a special tax on corporations to support the recovery of the area devastated by the earthquake from the fiscal years beginning on or after April 1, 2012. As a result of these changes, the normal effective statutory tax rates for the Bank to calculate deferred tax assets and deferred tax liabilities have been changed from the current 40.68% to 38.01% for the temporary differences which are estimated to be reversed from the fiscal year beginning April 1, 2012 to the fiscal year beginning April 1, 2014, and to 35.63% for the temporary differences which are estimated to be reversed on or after fiscal years beginning April 1, 2015. These changes in the Bank's normal effective statutory tax rates decreased Deferred tax liabilities by ¥54,984 million ($668,995 thousand) and increased Net unrealized gains on available-for-sale securities by ¥71,439 million ($869,197 thousand) and increased Income taxes-Deferred by ¥10,915 million ($132,811 thousand).

26. Profit or Loss From Equity Method

The details for the fiscal years ended March 31, 2012 and 2011 were as follows:

(Millions of yen)

	2011	2012
Investments in affiliates	¥ 900	¥ 900
Investments, if equity method accounting is adopted	837	866
Investment gains, if equity method accounting is adopted	¥ 31	¥ 29

27. Segment Information

Segment Information

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

Related Information

a. Information about services

Information about services is omitted as revenues from securities investment accounted for more than 90% of the total revenues in the statements of income for the years ended March 31, 2012 and 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 statements of income for the years ended March 31, 2012 and 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 sheets as of March 31, 2012 and 2011.

c. Information about major customers

Information about major customers is omitted as there was no single external customer that accounted for 10% or more of the total revenues in the statements of income for the years ended March 31, 2012 and 2011.

Information about losses on impairment of fixed assets by reported segments

The related information is omitted as the Bank comprises of only one 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

28. Related Party Transactions

a. Transactions with related parties

(1) Transactions between the Bank and related parties for the years ended March 31, 2012 and 2011 were as follows:

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

Corporate Data

Financial Data

Others

For the year ended March 31, 2012
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	¥ 43,593 million	¥ 29,508 million	¥ 3,176 million
Account	—	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	—	¥ 2,610 million	¥ 277 million

* Payment is made pursuant to Article 122 of the Postal Service Privatization Act.
** 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.
Note: Transaction amount is exclusive of consumption and other taxes. Year-end balance includes consumption and other taxes.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:
None for the fiscal years ended March 31, 2012 and 2011

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates for the years ended March 31, 2012 and 2011 were as follows:

For the year ended March 31, 2011
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	¥631,924 million	¥1,344,684 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥53,378 million	¥1,340,000 million	¥44,933 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, 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.

For the year ended March 31, 2012
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	¥619,085 million	¥1,268,251 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥55,891 million	¥1,240,000 million	¥27,936 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, 2012.
*** 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	¥ 2,467 million
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥ 287 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

29. Per Share Data
Net assets per share at March 31, 2012 and 2011 and net income per share for the years then ended were as follows:

(yen)

	2011	2012
Net assets per share	¥ 60,624.23	¥ 65,454.41
Net income per share	2,108.86	2,232.33

Net assets per share for the fiscal years ended March 31, 2012 and 2011 were calculated based on the following:

(Millions of yen)

	2011	2012
Net assets	¥ 9,093,634	¥ 9,818,162
Net assets attributable to common stock at the end of the fiscal year	9,093,634	9,818,162
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, 2012 and 2011 were calculated based on the following:

(Millions of yen)

	2011	2012
Net income	¥ 316,329	¥ 334,850
Net income attributable to common stock	316,329	334,850
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, 2012 and 2011.

30. Subsequent Event
None

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

The balance sheets as of March 31, 2012 and 2011 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 Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

Balance Sheets

(Millions of yen)

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets		
Cash and deposits	¥ 2,046,178	¥ 1,224,924
Cash	5,417	5,514
Deposits	2,040,760	1,219,410
Call loans	595,689	597,714
Receivables under securities borrowing transactions	1,266,649	1,972,888
Monetary claims bought	40,698	14,591
Money held in trust	225,365	242,747
Securities	77,173,062	74,587,160
Japanese government bonds	64,103,036	59,962,157
Japanese local government bonds	6,255,799	7,777,903
Japanese corporate bonds	6,090,524	6,227,510
Stocks	—	984
Foreign securities	723,702	618,605
Loans	14,547,498	13,929,040
Policy loans	10,060	20,993
Industrial and commercial loans	461,098	578,602
Loans to Management Organization for Postal Savings and Postal Life Insurance	14,076,339	13,329,443
Tangible fixed assets	89,812	85,832
Land	40,726	40,726
Buildings	34,028	33,302
Leased assets	1,052	1,063
Construction in progress	31	10
Other tangible fixed assets	13,973	10,730
Intangible fixed assets	95,974	102,155
Software	95,951	102,128
Other intangible fixed assets	22	27
Agency accounts receivable	127,916	115,185
Other assets	269,188	447,715
Accounts receivable	48,062	88,884
Prepaid expenses	549	594
Accrued income	215,776	351,417
Money on deposit	1,344	1,660
Suspense payments	1,846	3,415
Other assets	1,609	1,742
Deferred tax assets	309,781	369,795
Allowance for doubtful accounts	(1,050)	(1,079)
Total assets	**¥ 96,786,765**	**¥ 93,688,672**

Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Liabilities		
Policy reserves and other reserves	¥ 92,817,891	¥ 88,651,016
Reserve for outstanding claims	1,020,922	995,735
Policy reserves	89,164,763	85,143,840
Reserve for policyholders' dividends	2,632,205	2,511,441
Due to reinsurers	222	266
Other liabilities	2,293,130	3,230,062
Payables under securities lending transactions	1,477,611	2,442,224
Income taxes payable	18,876	23,461
Accounts payable	635,443	602,443
Accrued expenses	12,129	11,267
Unearned revenues	0	0
Deposits received	13,501	12,293
Deposits received from Management Organization for Postal Savings and Postal Life Insurance	121,910	104,224
Derivatives	1,379	658
Lease obligations	1,105	1,116
Asset retirement obligations	15	15
Suspense receipts	10,280	31,907
Other liabilities	876	451
Reserve for possible claim payments	2,303	—
Reserve for employees' retirement benefits	55,721	56,870
Reserve for directors' retirement benefits	131	162
Reserve under the special law	409,674	458,215
Reserve for price fluctuations	409,674	458,215
Total liabilities	**¥ 95,579,075**	**¥ 92,396,595**
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	186,466	234,881
Legal retained earnings	5,422	9,285
Other retained earnings	181,044	225,596
Retained earnings brought forward	181,044	225,596
Total shareholders' equity	1,186,511	1,234,926
Net unrealized gains (losses) on securities	21,179	57,151
Total valuation and translation adjustments	21,179	57,151
Total net assets	**¥ 1,207,690**	**¥ 1,292,077**
Total liabilities and net assets	**¥ 96,786,765**	**¥ 93,688,672**

Statements of Income

(Millions of yen)

Item	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Ordinary income	**¥ 13,375,468**	**¥ 12,538,618**
Insurance premiums and others	**7,342,346**	**6,856,486**
Insurance premiums	7,342,346	6,856,486
Investment income	**1,662,800**	**1,631,764**
Interest and dividend income	1,579,689	1,541,132
Interest on bank deposits	710	580
Interest and dividends on securities	1,179,452	1,191,184
Interest on loans	7,787	9,519
Interest on loans to Management Organization for Postal Savings and Postal Life Insurance	389,279	337,466
Other interest and dividends	2,459	2,381
Gains on money held in trust	15,714	—
Gains on sales of securities	66,968	90,324
Gains on redemptions of securities	54	55
Other investment income	373	252
Other ordinary income	**4,370,320**	**4,050,367**
Reversal of reserve for outstanding claims	110,871	25,187
Reversal of policy reserves	4,252,336	4,020,923
Reversal of reserve for possible claim payments	4,610	2,303
Other ordinary income	2,502	1,953
Ordinary expenses	**12,953,261**	**12,007,229**
Insurance claims and others	**12,274,910**	**11,338,440**
Insurance claims	12,061,934	10,997,839
Annuity payments	84,051	138,502
Benefits	13,415	19,842
Surrender benefits	60,825	102,919
Other refunds	54,684	79,336
Provision for policy reserves and others	**17,765**	**13,328**
Provision for interest portion of reserve for policyholders' dividends	17,765	13,328
Investment expenses	**47,299**	**63,040**
Interest expenses	2,040	1,964
Losses on money held in trust	—	26,298
Losses on sales of securities	24,965	30,200
Losses on valuation of securities	16,970	—
Losses on redemptions of securities	78	77
Losses on derivatives	178	331
Foreign exchange losses	2,035	3,131
Provision for allowance for doubtful accounts	19	23
Other investment expenses	1,010	1,013
Operating expenses	**535,591**	**516,039**
Other ordinary expenses	**77,694**	**76,380**
Taxes	38,591	37,922
Depreciation	36,786	37,062
Provision for reserve for employees' retirement benefits	1,461	1,099
Provision for reserve for directors' retirement benefits	35	31
Others	819	265
Net ordinary income	**¥ 422,207**	**¥ 531,388**
Extraordinary gains	**¥ 11,747**	**¥ —**
Reversal of reserve under the special law	11,734	—
Reversal of reserve for price fluctuations	11,734	—
Others	13	—
Extraordinary losses	**221**	**50,481**
Losses on disposal of fixed assets	177	1,780
Provision for reserve under the special law	—	48,541
Provision for reserve for price fluctuation	—	48,541
Disaster losses	26	158
Others	16	—
Provision for reserve for policyholders' dividends	**311,922**	**271,963**
Income before income taxes	**121,811**	**208,944**
Income taxes-current	**150,494**	**214,800**
Income taxes-deferred	**(105,959)**	**(73,589)**
Total income taxes	**44,535**	**141,210**
Net income	**¥ 77,276**	**¥ 67,734**

Statements of Changes in Net Assets

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' equity:		
Capital stock:		
Balance at the beginning of the year	¥ 500,000	¥ 500,000
Balance at the end of the year	¥ 500,000	¥ 500,000
Capital surplus:		
Legal capital surplus:		
Balance at the beginning of the year	¥ 405,044	¥ 405,044
Balance at the end of the year	¥ 405,044	¥ 405,044
Other capital surplus:		
Balance at the beginning of the year	¥ 95,000	¥ 95,000
Balance at the end of the year	¥ 95,000	¥ 95,000
Total capital surplus:		
Balance at the beginning of the year	¥ 500,044	¥ 500,044
Balance at the end of the year	¥ 500,044	¥ 500,044
Retained earnings:		
Legal retained earnings:		
Balance at the beginning of the year	¥ 1,915	¥ 5,422
Changes during the year:		
Dividends	3,506	3,863
Total changes during the year	3,506	3,863
Balance at the end of the year	¥ 5,422	¥ 9,285
Other retained earnings:		
Retained earnings brought forward:		
Balance at the beginning of the year	¥ 124,806	¥ 181,044
Changes during the year:		
Dividends	(21,037)	(23,182)
Net income	77,276	67,734
Total changes during the year	56,238	44,551
Balance at the end of the year	¥ 181,044	¥ 225,596
Total retained earnings:		
Balance at the beginning of the year	¥ 126,722	¥ 186,466
Changes during the year:		
Dividends	(17,531)	(19,319)
Net income	77,276	67,734
Total changes during the year	59,744	48,415
Balance at the end of the year	¥ 186,466	¥ 234,881
Total shareholders' equity:		
Balance at the beginning of the year	¥ 1,126,766	¥ 1,186,511
Changes during the year:		
Dividends	(17,531)	(19,319)
Net income	77,276	67,734
Total changes during the year	59,744	48,415
Balance at the end of the year	¥ 1,186,511	¥ 1,234,926

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Valuation and translation adjustments:		
Net unrealized gains (losses) on securities:		
Balance at the beginning of the year	¥ 42,599	¥ 21,179
Changes during the year:		
Net changes other than shareholders' equity	(21,420)	35,971
Total changes during the year	(21,420)	35,971
Balance at the end of the year	¥ 21,179	¥ 57,151
Total valuation and translation adjustments:		
Balance at the beginning of the year	¥ 42,599	¥ 21,179
Changes during the year:		
Net changes other than shareholders' equity	(21,420)	35,971
Total changes during the year	(21,420)	35,971
Balance at the end of the year	¥ 21,179	¥ 57,151
Total net assets:		
Balance at the beginning of the year	¥ 1,169,366	¥ 1,207,690
Changes during the year:		
Dividends	(17,531)	(19,319)
Net income	77,276	67,734
Net changes other than shareholders' equity	(21,420)	35,971
Total changes during the year	38,323	84,387
Balance at the end of the year	¥ 1,207,690	¥ 1,292,077

Statements of Cash Flows

(Millions of yen)

	2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities:		
Income before income taxes	¥ 121,811	¥ 208,944
Depreciation	36,786	37,062
Increase (decrease) in reserve for outstanding claims	(110,871)	(25,187)
Increase (decrease) in policy reserves	(4,252,336)	(4,020,923)
Interest portion of reserve for policyholders' dividends	17,765	13,328
Provision for reserve for policyholders' dividends	311,922	271,963
Increase (decrease) in allowance for doubtful accounts	148	29
Increase (decrease) in reserve for possible claim payments	(4,610)	(2,303)
Increase (decrease) in reserve for employees' retirement benefits	1,573	1,148
Increase (decrease) in reserve for directors' retirement benefits	35	31
Increase (decrease) in reserve for price fluctuations	(11,734)	48,541
Interest, dividends and other income	(1,579,689)	(1,541,132)
Losses (gains) on money held in trust	(15,714)	26,298
Losses (gains) related to securities	(25,008)	(60,102)
Interest expenses	2,040	1,964
Losses (gains) on derivatives	178	331
Foreign exchange losses (gains)	2,035	3,131
Losses (gains) related to tangible fixed assets	177	362
Disaster losses	26	158
Net decrease (increase) in agency accounts receivable	(16,409)	12,731
Decrease (increase) in other assets (excluding investing and financing activities)	(32,591)	(43,262)
Net increase (decrease) in reinsurance accounts payable	(30)	44
Increase (decrease) in other liabilities (excluding investing and financing activities)	(42,661)	(22,291)
Others	76	1,529
Subtotal	(5,597,078)	(5,087,602)
Interest and dividend income received	1,696,481	1,470,434
Interest expenses paid	(2,041)	(1,978)
Dividends to policyholders paid	(374,860)	(405,549)
Income taxes paid	(117,413)	(168,071)
Net cash provided by (used in) operating activities	**(4,394,912)**	**(4,192,768)**
Cash flows from investing activities:		
Payments for purchases of call loans	(31,157,189)	(30,579,814)
Proceeds from redemptions of call loans	30,915,389	30,577,789
Payments for purchases of monetary claims bought	(62,296)	(123,493)
Proceeds from sales and redemptions of monetary claims bought	29,997	149,993
Increase in money held in trust	(123,700)	(40,000)
Decrease in money held in trust	64,476	37
Payments for purchases of securities	(10,694,031)	(11,307,874)
Proceeds from sales and redemptions of securities	13,649,563	13,482,337
Origination of loans	(2,350,817)	(2,068,102)
Proceeds from collections of loans	4,063,828	2,699,968
Net increase (decrease) in receivables/payables under securities borrowing transactions	(18,527)	258,374
Others	(113,553)	383,480
Total of net cash provided by (used in) investment transactions	4,203,140	3,432,696
Total of net cash provided by (used in) operating activities and investment transactions as above	**(191,771)**	**(760,071)**
Payments for purchases of tangible fixed assets	(3,471)	(5,499)
Proceeds from sales of tangible fixed assets	2	—
Payments for purchases of intangible fixed assets	(37,440)	(36,084)
Payments to acquire equity of subsidiaries	—	(984)
Others	8,780	984
Net cash provided by (used in) investing activities	**4,171,012**	**3,391,113**
Cash flows from financing activities:		
Repayments of lease obligations	(254)	(280)
Dividends paid	(17,531)	(19,319)
Net cash provided by (used in) financing activities	**(17,785)**	**(19,599)**
Effect of exchange rate changes on cash and cash equivalents	**—**	**—**
Net increase (decrease) in cash and cash equivalents	**(241,685)**	**(821,254)**
Cash and cash equivalents at beginning of the year	**2,287,864**	**2,046,178**
Cash and cash equivalents at end of the year	**¥ 2,046,178**	**¥ 1,224,924**

Corporate Data
Financial Data
Others

Summary of Significant Accounting Policies

1. Securities
   Securities (including deposits and monetary claims bought that are deemed equivalent to securities) are accounted for as follows:
   (1) Held-to-maturity securities are stated at amortized cost using the moving-average method (straight-line method).
   (2) 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).
   (3) Stocks of subsidiaries and affiliated companies (stocks issued by subsidiaries, as prescribed by Article 2 Paragraph 12 of the Insurance Business Act; by subsidiary corporations, excluding subsidiaries, as prescribed by Article 13-5-2 Paragraph 3 of the Order for Enforcement of the Insurance Business Act; and by affiliated corporate entities) are stated at cost using the moving-average method.
   (4) Available-for-sale securities.
      1) Available-for-sale securities with fair value
         Available-for-sale securities are valued at market value at the end of the fiscal year, with cost determined by the moving-average method.
      2) Available-for-sale securities with fair values are extremely difficult to determine
         • 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 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 purpose) 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 a 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.
   Net unrealized gains or losses with respect to money held in trust are directly charged to net assets.
3. Derivatives
   Derivatives are stated at fair value.
4. Depreciation/amortization of fixed assets
   (1) Tangible fixed assets (excluding leased assets)
      Regarding depreciation of tangible fixed assets, depreciation of buildings (excluding structures and equipment) is computed using the straight-line method. Depreciation of structures and equipment and other tangible fixed assets is computed using the declining balance method.
      Useful lives of principal assets are as follows:
      1) Buildings, equipment attached to buildings and structures:
         2-60 years
      2) Other tangible fixed assets:
         2-20 years
   (2) Intangible fixed assets
      Regarding amortization of capitalized software for internal use, which is recorded in Intangible fixed assets, amortization is computed using the straight-line method based on the prescribed useful lives (generally five years).
   (3) Leased assets
      Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero using the straight-line method, with the useful life of leased assets being the lease term.
5. Foreign currency
   Foreign currency assets and liabilities are translated into yen using the foreign exchange rates prevailing at the end of the fiscal year.
6. Allowance and reserve
   (1) Allowance for doubtful accounts
      Allowance for doubtful accounts is provided pursuant to its internal standards for self-assessment of asset quality and a 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 recorded.
      Regarding all loans and claims, the relevant department in Japan Post Insurance performs an asset quality assessment based on the internal self-assessment standards, and an independent audit department audits the results of the assessment. The above reserves are established based on the result of this assessment.
      The unrecoverable amount for loans and claims to bankrupt and substantially bankrupt obligors is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims. The remaining amount is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2012 was ¥45 million.
   (2) Reserve for employees' retirement benefits
      Reserve for employees' retirement benefits is 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.
   (3) Reserve for directors' retirement benefits
      Reserve for directors' retirement benefits is accrued in the current fiscal year in line with the regulations of Japan Post Insurance 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).
7. Reserve for price fluctuations
   Pursuant to the requirements under Article 115 of the Insurance Business Act, Japan Post Insurance 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.
8. Hedge accounting
   (1) Methods for hedge accounting
      The fair value hedge method is used for foreign currency forward contracts used as hedging instruments against exchange rate fluctuations in the value of foreign currency-denominated securities.
      The special accounting treatment for interest rate swaps is applied for hedges of general loans only where the interest rate swaps satisfy the requirements for hedge accounting.
   (2) Hedging instruments and hedged items

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

   (3) Hedging policies
      Japan Post Insurance hedges certain foreign currency risks of underlying bonds in foreign currency and interest rate risks of underlying loans in foreign currency.
   (4) Assessment of hedge effectiveness
      Hedge effectiveness is assessed by a comparison of fluctuations in the fair values (or cash flows) of the hedged items and the hedging instruments.
      However, Japan Post Insurance does not conduct an assessment of hedge effectiveness for foreign currency forward contracts which show a strong correlation between the hedged items and the hedging instruments and interest rate swaps to which the special accounting treatment is applied.
9. Definition of cash in statement of cash flows
   Cash and cash equivalents, for the purpose of reporting cash flows, are composed of cash on hand and deposits held on call with banks.
10. Other important assumptions for financial statements
   (1) Policy reserves:
      A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Act. 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 Commissioner of the Financial Services Agency (Ordinance No.48 issued by the Ministry of Finance in 1996).
         b. Reserves for other contracts are computed based on the net level premium method.
      Pursuant to Article 69-5 of the Ordinance for Enforcement of the Insurance Business Act, 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, ¥166,636 million was recorded in the fiscal year ended March 31, 2012.

(2) Consumption taxes:
Regarding the accounting for consumption tax and local consumption tax, all figures are net of consumption tax.

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

Additional Information

(Application of Accounting Standard for Accounting Changes and Error Corrections)
Regarding accounting changes and corrections of prior period errors that are made after the start of the fiscal year that began April 1, 2011, "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

Along with a change to the Ordinance for Enforcement of the Insurance Business Act, presentation methods have been changed as follows at the beginning of the fiscal year under review.

(1) Reversal of allowance for doubtful accounts, which was previously included in Extraordinary income on the Statements of Income, is reported within Investment income or Other ordinary income due to the nature of this transaction. No retroactive treatment has been made for prior fiscal years.

(2) Items previously reported as Balance at the end of previous period in Statements of Changes in Net Assets will now be reported as Balance at the beginning of current period.

(Accounting treatment for loans payable on the last day of the fiscal period)
Regarding principal of ¥653,809 million and interest of ¥143,923 million for Loans to Management Organization for Postal Savings and Postal Life Insurance which were payable on the last day of the fiscal period, because the last day of the fiscal period was a non-business day for financial institutions, Japan Post Insurance designated the payment date as Monday, April 2, 2012, the next business day, in accordance with the internal regulations of Japan Post Insurance. Of that amount, because the payment date had not yet arrived for ¥17,364 million in payments which were received beforehand, this amount was recorded in Suspense receipts.

Notes to Financial Statements

Notes to Balance Sheets

1. Regarding consumption loan contracts, the balance sheet amount of securities (Japanese government bonds) lent in securities borrowing and lending transactions with cash collateral is ¥304,280 million. The carrying amount of cash collateral for these securities borrowing and lending transactions is ¥306,521 million.
2. The amount of securities in trust established to engage in securities lending transactions for income is ¥4,069,804 million.
   Under the securities indenture, the amount of securities lent in securities borrowing and lending transactions with cash collateral is ¥2,022,693 million. The carrying amount of cash collateral for these securities borrowing and lending transactions is ¥2,135,702 million.
   The amount of holding securities out of that borrowed in securities borrowing and lending transactions with cash collateral is ¥1,972,786 million at fair value.
3. Balance sheet amount, fair value and the risk management policy for policy reserve-matching bonds are as follows:
   (1) The balance sheet amount of policy reserve-matching bonds is ¥24,812,291 million and the fair value is ¥25,990,069 million.
   (2) Risk management policy for policy reserve-matching bonds is as follows; Japan Post Insurance has set up a sub-category according to the characteristics of insurance contracts. The durations of the bonds earmarked for policyholders and those of policy reserves in each sub-category 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-category are periodically monitored.
4. Accumulated depreciation on tangible fixed assets is ¥57,763 million.
5. Total amount of monetary assets to related parties is ¥317 million and total amount of monetary liabilities to related parties is ¥127,957 million.
6. The following shows changes in the reserve for policyholders' dividends:

(Millions of yen)

Balance at the beginning of the current fiscal year	¥2,632,205
Dividend to policyholders paid during the year	¥405,549
Increase due to interest accrued during the year	¥13,328
Decrease due to purchasing additional benefit contracts	¥505
Provision for reserve for policyholders' dividends	¥271,963
Balance at the end of the current fiscal year	¥2,511,441

7. In accordance with Article 259 of the Insurance Business Act, the amounts of future contributions to the Life Insurance Policyholders Protection Corporation of Japan are estimated to be ¥9,542 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) related to the reinsurance contracts undertaken by the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, amounted to ¥71,042,150 million. The reserve amount is calculated using the calculation method prescribed by Japan Post Insurance for premiums and policy reserves, and thus it exceeds the amount calculated using 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 ¥2,674,473 million and a reserve for price fluctuations of ¥437,490 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, and is the amount for which payment has not been made by the end of the consolidated fiscal year.

Notes to Statements of Income

1. Expenses of transactions with related parties amounted to ¥7,504 million.
2. Gains on sales of securities consisted of ¥67,793 million on sales of Japanese government bonds and other bonds and ¥22,530 million on sales of foreign securities.
3. Losses on sales of securities consisted of ¥159 million on sales of Japanese government bonds and other bonds and ¥30,040 million on sales of foreign securities.
4. Losses on money held in trust include impairment losses of ¥22,938 million.
5. Insurance premiums include premiums of ¥3,292,716 million for accepted reinsurance paid by the Management Organization for Postal Savings and Postal Life Insurance in accordance with a reinsurance contract with Japan Post Insurance.
6. Insurance claims include an insurance payment of ¥10,976,623 million to the Management Organization for Postal Savings and Postal Life Insurance under the reinsurance contract with Japan Post Insurance.
7. Under the reinsurance contract with the Management Organization for Postal Savings and Postal Life Insurance, Japan Post Insurance recorded ¥259,545 million as a reserve for policyholders' dividends based on the performance of the segment related to reinsurance.

Notes to Statements of Changes in Net Assets

1. Information concerning type and number of outstanding shares:

(Thousands of shares)

	Number of shares at the beginning of the fiscal year	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)	Share-holder dividends per share (Yen)	Record date	Effective date
Board meeting held on May 24, 2011	Common stock	¥ 19,319	¥ 965.95	March 31, 2011	May 25, 2011

Notes to Statements of Cash Flows

Relationship between cash and cash equivalents at the end of the year and amounts in categories on the balance sheet:

(Millions of yen)

Cash and deposits	¥ 1,224,924
Cash and cash equivalents	¥ 1,224,924

Deferred Tax Assets and Liabilities

1. Significant components of deferred tax assets and liabilities of Japan Post Insurance as of March 31, 2012 are summarized below:

(Millions of yen)

Deferred tax assets:	
Policy reserves	¥ 270,501
Reserve for outstanding claims	48,270
Reserve for price fluctuations	45,025
Reserve for employees' retirement benefits	17,814
Net unrealized gains (losses) on available-for-sale on securities	11,456
Others	16,467
Subtotal	409,536
Valuation allowance	(2,016)
Total deferred tax assets	¥ 407,520
Deferred tax liabilities:	
Net unrealized gains (losses) on available-for-sale securities	¥ (37,053)
Others	(670)
Total deferred tax liabilities	¥ (37,724)

2. Revision to deferred tax assets and deferred tax liabilities due to a change in tax rates for corporate income tax and others

The “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” and “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” were announced on December 2, 2011. As a result, the effective statutory tax rate of 36.21% used to calculate deferred tax assets and deferred tax liabilities will be reduced to 33.33% for expected recovery or payment between April 1, 2012 and March 31, 2015 and to 30.78% for expected recovery or payment in the fiscal years beginning April 1, 2015 and thereafter. Due to this change in the tax rate, at the end of March 31, 2012, deferred tax assets were reduced by ¥59,553 million and income taxes deferred increased by ¥63,885 million.

Financial Instruments

1. Financial instruments

(1) Investment policy for financial instruments

To maintain sound management and to ensure payments of insurance claims and other benefits, management structures a long-term yen-rate asset portfolio taking into account the characteristics of the liabilities and promotes cash flow matching between assets and liabilities. Management also strengthens the risk management system. On the other hand, from the point of view of increasing profitability, management invests in yen-denominated assets of local government bonds and corporate bonds, which are expected to have a relatively higher yield than Japanese government bonds.

Management uses derivatives as the principal hedging instruments for foreign currency and interest rate risks associated with operating assets and does not use derivatives for speculation purposes.

(2) Financial instruments used and their risks

The financial assets held by Japan Post Insurance are principally securities and loans and these held under asset liability management (ALM). Securities are exposed to credit risks with regards to the issuer, market fluctuation risks and interest rate risks. Additionally, foreign currency-denominated bonds are exposed to foreign currency risks. Also, Japan Post Insurance holds loans with variable interest rates which are exposed to interest rate risks.

The primary derivatives which are used by Japan Post Insurance are foreign currency forward contracts and interest rate swaps. These derivatives are positioned as the primary hedging instruments for foreign currency risk and interest rate risk. Derivatives are only used to hedge these risks and are not used 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.

(3) Risk management

1) Market risk management

(i) Market fluctuation risk

Japan Post Insurance established an investment policy that is based on stable management by investing in yen-denominated assets, primarily on Japanese government bonds, and therefore market fluctuation risks associated with investments in securities, except for held-to-maturity and available-for-sale securities, are limited. Responsible for market fluctuation risks, the Risk Management Department calculates and controls the amount of market fluctuation risks with Value-at-Risk (VaR), based on internal rules for control of market risks, and periodically reports the results to the Risk Management Committee.

(ii) Foreign currency risk

As described above, Japan Post Insurance invests mainly in yen-denominated assets, and therefore, foreign currency risks from 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 the results to the Risk Management Committee. Also, at the time of purchase of some foreign currency-denominated bonds, Japan Post Insurance invests in foreign currency forward contracts and adopts hedge accounting. Accordingly, foreign currency risks for these bonds are avoided.

(iii) Interest rate risk

Japan Post Insurance reduces interest rate risks by asset management based on ALM. The Risk Management Department calculates and controls the amount of interest rate risks with VaR taking into consideration the cash flows of liabilities, based on internal rules for control of market risks. The results of the analysis are periodically reported to the Risk Management Committee.

(iv) Derivative transactions

Japan Post Insurance established a rule that derivatives are used only to hedge risks and are not used for speculation purposes. Also, risks are controlled by setting up a credit limit for each counterparty and selecting a counterparty, that maintains a good credit rating, based on the internal rating system. The Risk Management Department calculates and controls the amount of market fluctuation risks associated with derivatives and periodically reports the amount to the Risk Management Committee.

2) Credit risk management

An internal rating is assigned to each counterparty or individual transaction, based on internal rules for control of credit risks, and credit risks are recognized and controlled by calculating the amount of credit risks with VaR. In addition, in order to prevent particular companies, business groups and categories of business having too much credit risk concentrated in, management controls credit risks by setting up credit limits for each company, business group and category of business.

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

(4) Supplementary explanation for fair values of financial instruments

Japan Post Insurance determines the fair value of financial instruments based on the market price, but reasonable methods for fair value measurement are used when a market price is not readily available. Various assumptions are made in these fair value estimates, and these fair values may differ based on using different assumptions and other factors.

2. Fair values of financial instruments

Balance sheet amount, fair value and differences between balance sheet amount and fair value as of March 31, 2012 are as follows.

(Millions of yen)

	Balance sheet amount	Fair value	Difference
Cash and deposits:			
Available-for-sale-securities	¥ 895,400	¥ 895,400	¥ —
Total cash and deposits	1,224,924	1,224,924	—
Receivables under securities borrowing transactions:	1,972,888	1,972,888	—
Monetary claims bought:			
Available-for-sale securities	14,591	14,591	—
Total monetary claims bought	14,591	14,591	—
Money held in trust:			
Monetary trusts other than trading, held-to-maturity and policy-reserve-matching purpose	242,747	242,747	—
Total money held in trust	242,747	242,747	—
Securities:			
Held-to-maturity bonds	44,444,928	46,533,803	2,088,875
Policy-reserve-matching bonds	24,812,291	25,990,069	1,177,778
Available-for-sale securities	5,188,956	5,188,956	—
Total securities	74,446,176	77,712,830	3,266,653
Loans (*1):			
Policy loans	20,993	20,993	—
General loans	578,538	603,509	24,971
Loans to Management Organization for Postal Savings and Postal Life Insurance	13,329,443	14,458,204	1,128,760
Total loans	13,928,976	15,082,708	1,153,732
Total assets	¥91,830,304	¥96,250,689	¥4,420,385
Payables under securities lending transactions	¥2,442,224	¥2,442,224	¥ —
Total liabilities	¥2,442,224	¥2,442,224	¥ —
Derivative transactions (*2)	¥ [658]	¥ [658]	¥ —
Hedge accounting not applied	—	—	—
Hedge accounting applied	[658]	[658]	—
Total derivative transactions	¥ [658]	¥ [658]	¥ —

(*1) Excluding allowance for doubtful accounts

(*2) Credits/debts from derivative transactions are presented on a net basis. 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 is treated as securities based on the Accounting Standard for Financial Instruments and the Implementation Guidance (ASBJ Statement No.10), is evaluated by a similar method to "(5) Securities." As for other cash and deposits without maturity, fair value is based on carrying value since fair value is close to carrying value. As for cash and deposits with maturity, fair value is based on carrying value since the time to maturity is short term (within 1 year) and fair value is close to carrying value.

(2) Receivables under security borrowing transactions

As for receivables under security borrowing transactions, fair value is based on carrying value since the transaction period is short term (within 1 year) and fair value is close to carrying value.

(3) Monetary claims bought

Monetary claims bought, which is treated as securities based on the Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No.10), is evaluated by a method similar to "(5) Securities."

(4) Money held in trust

Regarding the composition of trust assets in money held in trust, fair 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). Regarding property which is part of trust assets, fair value is based on the carrying value.

Notes to each classification of money held in trust are included in the section "Money Held in Trust".

(5) Securities

Fair value is based on market value at the end of the fiscal year.

In addition, unlisted shares with no market price are not included in securities measured at fair value as it is extremely difficult to recognize these fair values. The balance sheet amount of these unlisted shares with no market price as of March 31, 2012 is ¥140,984 million.

Notes to each classification of securities are included in the section "Securities".

(6) Loans

Regarding policy loans and policy loans for Postal Life Insurance policies which are included in loans to Management Organization for Postal Savings and Postal Life Insurance, fair value is based on carrying value since it is assumed that fair value is close to carrying value, due to characteristics such as the policy loan amounts are limited to the cash surrender values, short average loan periods and conditions of interest rates.

Regarding loans with floating interest rates in industrial and commercial loans, fair value is based on carrying value since it is assumed that fair value is close to carrying value as due that future cash flows for these loans are reflected in the market interest rate over the short term.

Regarding loans with fixed interest rates in industrial and commercial loans and loans to Management Organization for Postal Savings and Postal Life Insurance (except for policy loans), fair value is based on the present value of discounted future cash flows.

In addition, there are no loans to obligors in failure, substantially failure and danger of failure.

• Liabilities

Payables under securities lending transactions

Regarding payables under securities lending transactions, fair value is based on carrying value since the transaction period is short term (within 1 year) and fair value is close to carrying value.

• Derivative Instruments

(1) Regarding forward exchange rates, fair value is based on a futures quotation at the end of the fiscal year.

(2) Regarding interest rate swaps to which the special accounting treatment for interest rate swaps is applied, because these swaps and industrial and commercial loans being hedged are treated as a single unit of account, the fair value for these swaps is included as a part of the industrial and commercial 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	¥ 895,400	¥ —	¥ —	¥ —	¥ —	¥ —
Receivables under securities borrowing transactions	1,972,888	—	—	—	—	—
Monetary claims bought	—	—	—	—	—	13,900
Securities	6,186,518	13,375,216	14,299,362	10,308,523	6,944,727	22,715,963
Held-to-maturity bonds	5,336,986	5,182,915	6,028,517	6,098,851	3,706,682	17,820,210
Policy-reserve-matching bonds	419,913	6,442,850	7,322,228	3,562,459	2,489,701	4,390,500
Available-for-sale securities with maturities	429,618	1,749,450	948,616	647,211	748,343	505,253
Loans	2,820,228	2,095,273	1,939,429	1,680,448	2,114,195	3,278,871
Total assets	¥11,875,036	¥15,470,490	¥16,238,792	¥11,988,971	¥ 9,058,922	¥26,008,734

(Note 3) Scheduled maturities of payables 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
Payables under securities lending transactions	¥ 2,442,224	¥ —	¥ —	¥ —	¥ —	¥ —
Total liabilities	¥ 2,442,224	¥ —	¥ —	¥ —	¥ —	¥ —

Securities

1. Trading securities (As of March 31, 2012):
   None
2. Held-to-maturity bonds (As of March 31, 2012):

(Millions of yen)

	Balance sheet amount	Fair value	Difference
Items with fair value exceeding balance sheet amount:			
Japanese government bonds	¥35,393,936	¥37,101,728	¥ 1,707,792
Japanese local government bonds	5,556,171	5,826,211	270,039
Japanese corporate bonds	2,121,712	2,242,064	120,351
Foreign securities	98,000	98,794	794
Others	—	—	—
Subtotal	43,169,820	45,268,798	2,098,978
Items with fair value not exceeding balance sheet amount:			
Japanese government bonds	814,957	806,369	(8,587)
Japanese local government bonds	330,276	329,184	(1,092)
Japanese corporate bonds	129,873	129,450	(423)
Foreign securities	—	—	—
Others	—	—	—
Subtotal	1,275,107	1,265,004	(10,103)
Total	¥44,444,928	¥46,533,803	¥ 2,088,875

3. Policy-reserve-matching bonds (As of March 31, 2012):

(Millions of yen)

	Balance sheet amount	Fair value	Difference
Items with fair value exceeding balance sheet amount:			
Japanese government bonds	¥22,843,876	¥23,967,844	¥ 1,123,967
Japanese local government bonds	1,356,198	1,396,901	40,703
Japanese corporate bonds	578,561	591,824	13,263
Foreign securities	—	—	—
Others	—	—	—
Subtotal	24,778,636	25,956,570	1,177,933
Items with fair value not exceeding balance sheet amount:			
Japanese government bonds	6,059	6,054	(5)
Japanese local government bonds	22,589	22,445	(143)
Japanese corporate bonds	5,006	4,999	(6)
Foreign securities	—	—	—
Others	—	—	—
Subtotal	33,655	33,499	(155)
Total	¥24,812,291	¥25,990,069	¥ 1,177,778

4. Investments in subsidiaries and affiliates (As of March 31, 2012):
   None

(Note) Securities of subsidiaries and affiliates for which it is extremely difficult to determine fair values are as follows:

(Millions of yen)

	Balance sheet amount
Securities of subsidiaries	¥ 984
Total	¥ 984

These securities are not included in "Investments in subsidiaries and affiliates" as it is extremely difficult to determine the fair values due to no available quoted market price.

5. Available-for-sale securities (As of March 31, 2012):

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Items with balance sheet amount exceeding acquisition cost:			
Stocks	¥ —	¥ —	¥ —
Corporate and government bonds	4,388,983	4,480,721	91,738
Japanese government bonds	875,910	878,327	2,416
Japanese local government bonds	471,914	473,467	1,552
Japanese corporate bonds	3,041,157	3,128,926	87,769

Foreign securities	175,157	193,200	18,042
Others (*)	13,900	14,591	691
Subtotal	4,578,040	4,688,513	110,472
Items with balance sheet amount not exceeding acquisition cost:			
Stocks	—	—	—
Corporate and government bonds	350,571	327,629	(22,942)
Japanese government bonds	25,000	25,000	(0)
Japanese local government bonds	39,214	39,199	(14)
Japanese corporate bonds	286,357	263,429	(22,927)
Foreign securities	192,072	187,405	(4,667)
Others (*)	895,400	895,400	—
Subtotal	1,438,044	1,410,434	(27,609)
Total	¥6,016,084	¥6,098,948	¥ 82,863

(*) "Others" contains securities treated as "securities" based on the Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No.10).

6. Held-to-maturity bonds sold during the fiscal year (From April 1, 2011 to March 31, 2012):
None
7. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2011 to March 31, 2012):

(Millions of yen)

	Proceeds from sales	Total profits on sales	Total losses on sales
Japanese government bonds	¥ 2,195,859	¥ 61,142	¥ —
Japanese corporate bonds	268,334	2,964	—
Total	¥ 2,464,193	¥ 64,107	¥ —

8. Available-for-sale securities sold during the fiscal year (From April 1, 2011 to March 31, 2012)

(Millions of yen)

	Proceeds from sales	Total profits on sales	Total losses on sales
Corporate and government bonds	¥ 153,353	¥ 3,686	¥ 159
Japanese government bonds	31,374	1,216	—
Japanese corporate bonds	121,978	2,470	159
Foreign securities	225,646	22,530	30,040
Total	¥ 378,999	¥ 26,217	¥ 30,200

Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2012):
None
2. Money held in trust classified as held-to-maturity and policy-reserve-matching (As of March 31, 2012):
None
3. Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching (As of March 31, 2012):

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference	Amount of the excess of balance sheet amount over acquisition cost	Amount of the excess of acquisition cost over balance sheet amount
Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching	¥ 242,861	¥ 242,747	¥ (114)	¥ 9,257	¥ 9,372

Note: Impairment losses on money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching amounted to ¥22,938 million.
The losses on domestic equities, which are a part of the assets as money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching are considered impaired if the average market rate during the month prior to the fiscal year-end declines by 30% or above.

Reserve for Employees' Retirement Benefits

1. Overview of employees' retirement benefit plan
Japan Post Insurance established a retirement benefit policy and has a funded retirement benefit plan in the form of a lump-sum payment.
2. Liability for employees' retirement benefits

(Millions of yen)

	As of March 31, 2012
Projected benefit obligations	¥ (53,799)
Unfunded benefit obligations	(53,799)
Unrecognized actuarial differences	(3,070)
Net amount recognized on the non-consolidated balance sheet	(56,870)
Reserve for employees' retirement benefits	¥ (56,870)

3. Net periodic benefit cost

(Millions of yen)

	For the year ended March 31, 2012
Service cost	¥ 3,201
Interest cost	899
Amortization of unrecognized actuarial differences	(212)
Net periodic benefit cost	¥ 3,888

4. Assumptions

	As of March 31, 2012
Method of periodic allocation of benefit obligations	Straight-line method
Discount rate	1.7%
Amortization period for actuarial differences	14 years

Per Share Information

(Yen)

	For the year ended March 31, 2012
Net assets per share	¥ 64,603.86
Net income per share	¥ 3,386.70

Note: Diluted net income per share is not presented as no dilutive securities exist.

Subsequent Events

There were no significant subsequent events for the year ended March 31, 2012.