

2012

JAPAN POST GROUP Annual Report
Year ended March 31, 2012

2012 JAPAN POST GROUP Annual Report

CONTENTS

Japan Post Group Overview

- 1. Message from the President 2
- 2. Promulgation of “Act for Partial Revision of
the Postal Service Privatization Act and others” 4
- 3. History of Japan Post Group 5
- 4. Japan Post Group Highlights in Fiscal 2012 6
- 5. Our Response to the Great East Japan Earthquake 10
- 6. Japan Post Group Financial Review 12
- 7. The Operations of the Japan Post Group 16

Dedicated to Providing the Public with the Best Possible Services

- 1. Operations of Japan Post Network 20
- 2. Operations of Japan Post Service 30
- 3. Operations of Japan Post Bank 44
- 4. Operations of Japan Post Insurance 54
- 5. Other Businesses 66

Dedicated to Becoming an Even More Trustworthy Group

- 1. Japan Post Group Corporate Governance 70
- 2. Japan Post Group Compliance Framework 72
- 3. Japan Post Group Internal Audit System 74
- 4. Japan Post Group Risk and Crisis Management 76
- 5. Japan Post Group Customer Satisfaction 78
- 6. Japan Post Group CSR 80

Data Compilation Corporate Data

● 1. Japan Post Group Management Philosophy, etc.	90
● 2. Outline of Japan Post Holdings Co., Ltd.	91
● 3. Outline of Japan Post Network Co., Ltd.	98
● 4. Outline of Japan Post Service Co., Ltd.	104
● 5. Outline of Japan Post Bank Co., Ltd.	110
● 6. Outline of Japan Post Insurance Co., Ltd.	115

Data Compilation Financial Data

● 1. Transition of Significant Management Indicators, etc.	120
● 2. Japan Post Group Companies—Consolidated Financial Data	122
● 3. Japan Post Holdings Co., Ltd.—Non-consolidated Financial Data . .	145
● 4. Japan Post Network Co., Ltd.—Non-consolidated Financial Data . .	150
● 5. Japan Post Service Co., Ltd.—Non-consolidated Financial Data . . .	155
● 6. Japan Post Bank Co., Ltd.—Non-consolidated Financial Data	160
● 7. Japan Post Insurance Co., Ltd.—Non-consolidated Financial Data	180

Data Compilation Others

1. Service Hours and Points of Contact for Inquiries	192
2. Japan Post Group Privacy Policy	196
3. Japan Post Group Conflicts of Interest Management Policy . . .	198
4. Japan Post Group Information Security Declaration	198

This Annual Report is a translation of the Disclosure Document (the written explanation in Japanese of the Company's business and financial conditions) that was prepared pursuant to Article 52-29 of the Banking Act and Article 271-25 of the Insurance Business Act.

This Annual Report contains forward-looking statements regarding future performance and other matters. These forward-looking statements do not constitute guarantees of future performance and are subject to risks and uncertainties. Please note that actual performance may differ materially from these statements as a result of changes in the underlying assumptions regarding the business environment.

Figures and percentages shown in this Annual Report have been rounded off, except for financial numbers in the accounting statements, etc., that have been truncated without rounding. As a consequence, sums of figures may not match the totals presented.

Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2012.

1. Message from the President



I am pleased to have this opportunity to explain the business results of the Japan Post Group to our customers, investors and other stakeholders in this Annual Report for fiscal 2012.

The Japan Post Group has been working to enhance the convenience of post offices by placing customer service as the top priority. On this occasion, using the partial revision of the Postal Service Privatization Act and others as a springboard, we will strive further to enhance our services to start anew as a company that supports the daily lives of regional customers. We ask for your continued patronage of the Japan Post Group in this endeavor.

Review of Fiscal 2012

During fiscal 2012, the Japan Post Group companies focused on supporting reconstruction efforts following the Great East Japan Earthquake and improving services of our three core businesses of postal, banking and insurance services.

With regard to reconstruction support for the earthquake disaster, we have promoted various initiatives starting from the delivery of mail, Yu-Pack parcels and other relevant items to evacuation shelters, as well as the issuing of donation-added postage stamps and postcards and other services such as no commission

charge on the transfer of relief funds. Also, we commenced services using mobile post offices equipped with ATMs from July 2011.

Regarding improvements in service, we began handling a variety of new products and services with the aim of further improving convenience for our customers. In postal operations, we have launched an array of products and services such as offering a Yu-Pack Service for Online Auctions, in which special benefits are granted to customers who have shopped via the Internet, and cooperating with other companies to enhance the convenience of international mail. These initiatives have contributed to an increase in the use of Yu-Pack and Yu-Mail compared with the previous year.

In addition, Japan Post Bank Co., Ltd. developed a promotional campaign for offering preferential interest rates on *TEIGAKU* deposits, which received a lot of positive feedback. Along with expanding the products handled at post offices to make it possible for customers to choose products according to their needs, we have also introduced a service for accepting the opening of investment trust accounts via mail.

Japan Post Insurance Co., Ltd. held the "New Year Dream *Kanpo* Campaign 2012," in which customers who asked for a case design [policy summary] for our insurance products were encouraged to participate in a drawing to win such prizes as accommodation at *Kanpo no Yado* inns. This, in turn, has served as an opportunity for even more people to gain a deeper understanding of Japan Post Insurance's products.

As a result of customers' use and support, with regard to our business results, on a consolidated basis the Japan Post Group recorded net ordinary income of ¥1,176.8 billion, and net income of ¥468.9 billion, both representing increases compared with the previous fiscal year.

Issues for the Future

Although our business results for the fiscal year under review were satisfactory, we face numerous issues, including the following. In this respect, we will further make concerted efforts to resolve such issues.

The first issue is to enhance business performance, beginning with improving the operations of Japan Post Service, which recorded a large net operating loss in fiscal 2011. The business environment still remains harsh given such factors as the widespread use of email and continuous low interest rates. In order to overcome these circumstances, we must consider upgrading and improving products and services that have been handled previously such as expanding the areas handling Yu-Pack delivered on the same day, thereby continuously working to further enhance customers' convenience. Additionally, we will actively discuss various aspects, including developing new business and forming a partnership with other companies.

The second issue is preparations for the merger of Japan Post Service Co., Ltd. and Japan Post Network Co., Ltd. We will take advantage of this company integration to pursue swift service improvements that were inconvenient for customers until now

in order to further realize easy-to-use post offices for customers. Additionally, we will promote preparations for the merger by taking thorough measures to prevent causing inconvenience to our customers.

The Japan Post Group will continue to make collective efforts to support the rehabilitation of people who were affected by the Great East Japan Earthquake. As a corporate Group based in local communities, we will promote ongoing support through mail delivery and counter services at post offices so that those who were affected by the disaster can lead their lives with a sense of security.

Furthermore, since the disposal of shares of Japan Post Holdings, Co., Ltd. is expected to be provided for reconstruction funding, we will make greater efforts to enhance our corporate value in order to contribute to the recovery of the disaster-affected areas.

The enactment of the "Act for Partial Revision of the Postal Service Privatization Act and others" at this time is a perfect opportunity for us to accelerate innovation to become a more appealing company. Through our post office network nationwide and based on the universal services of our core three businesses of postal, banking and insurance services, as a Group that is intimately connected to customers in terms of their life stages, we will collectively promote corporate innovation initiatives in order to provide necessary services for customers.

Together with meeting expectations as the newly restructured Japan Post Group, we look forward to your further support.

Jiro Saito

President & CEO
Japan Post Holdings Co., Ltd.
July 2012

2. Promulgation of “Act for Partial Revision of the Postal Service Privatization Act and others”

On October 1, 2007, Japan Post (Nippon Yusei Kosha) transferred its businesses to Japan Post Holdings Co., Ltd. and four operating companies in accordance with the Postal Service Privatization Act. On April 27, 2012, around four and a half years after this privatization, the 180th session of the Diet passed and enacted the “Act for Partial Revision of the Postal Service Privatization Act and others.” The amended legislation was promulgated on May 8, 2012.

This amended law will see Japan Post Service Co., Ltd. and Japan Post Network Co., Ltd. merge (hereinafter, “Japan Post Co., Ltd.” as the merged company). The Japan Post Group will thus be restructured from five companies to four companies.

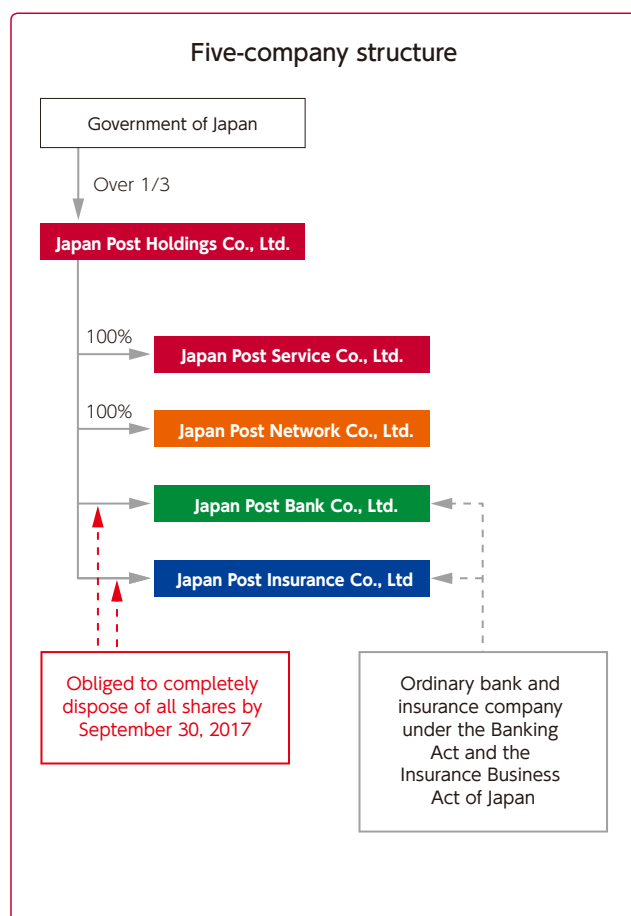
Furthermore, the scope of universal services will be widened and enhanced. Japan Post Holdings Co., Ltd. and Japan Post Co., Ltd. will ensure that customers can use not only postal services but also basic banking and insurance services at post offices.

The law requires Japan Post Holdings Co., Ltd. to aim to dispose of all shares of Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as soon as possible, while considering the management situation of both companies and the impact on the fulfillment of obligations of Japan Post Holdings Co., Ltd. and Japan Post Co., Ltd. to ensure universal services to customers.

Regarding the shares of Japan Post Holdings Co., Ltd., on November 30, 2011 the 179th session of the Diet passed and enacted the “Act on Special Measures to Secure the Financial Resources to Implement the Restoration from the Great East Japan Earthquake.” Under this law, the Japanese government is obliged to dispose of its shares as soon as possible based on the results of studies into the method of disposal, while taking into consideration the management situation, earnings forecasts and other matters at Japan Post Holdings, in order to secure funds for redeeming reconstruction bonds.

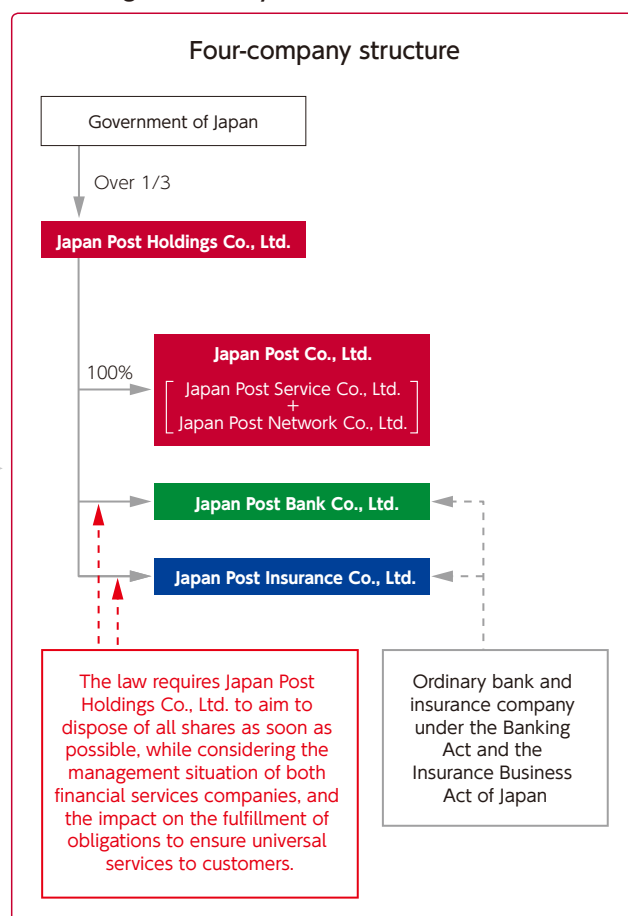
■ Before Amendment

(Came into force on October 1, 2007)



■ After Amendment

(Promulgated on May 8, 2012)



3. History of Japan Post Group

Year	Major Event
1871	Modern postal service established (new postal system set up between Tokyo and Kyoto and Tokyo and Osaka)
1872	Registered mail service launched Nationwide postal network completed
1873	Nationwide flat-rate system introduced Issuance of postcards begun
1875	Government mail offices and mail handling offices renamed post offices Postal money order service established International mail service launched Postal savings service established
1877	Joined the Universal Postal Union
1880	Foreign postal money order service launched
1885	Issuance of reply-paid postcards begun Ministry of Communications established
1887	The 〒 mark adopted as the logo for the Ministry of Communications
1892	Parcel post service begun
1894	First commemorative stamps (two types; celebrating the 25th royal wedding anniversary of the Meiji Emperor) issued
1899	Special New Year's postcards delivery service launched (suspended in 1923, when the Great Kanto Earthquake occurred, and in the pre- and post-war periods from 1940 to 1947)
1901	Red post boxes introduced
1906	Postal <i>giro</i> service established
1910	Annuities and government pensions payment service launched
1911	Express mail service launched
1916	Postal life insurance service established
1926	Postal life annuity business established
1928	<i>Kokumin Hoken Taiso</i> (radio exercise) program launched
1931	Foreign postal <i>giro</i> service launched
1941	<i>TEIGAKU</i> deposits introduced
1944	System allowing payment of postage in arrears introduced
1949	The Ministry of Posts and Telecommunications established Law Concerning Contracted Post Offices went into effect Issuance of New Year's lottery postcards begun
1950	Issuance of summer greeting postcards begun
1951	New radio exercise program launched
1961	Postal orders (<i>TEIGAKU KOGAWASE</i>) service introduced
1968	Three- or five-digit postal code system introduced
1973	Depositor loan service introduced
1975	Express mail service (EMS) launched

Year	Major Event
1977	Online postal life insurance service launched
1978	Online postal savings service launched
1980	Cash dispensers (CDs) for postal savings introduced
1981	Automatic teller machines (ATMs) for postal savings introduced Trial service for electronic postal mail launched
1983	<i>Furusato</i> parcel service launched
1986	Automatic insurance premiums transfer service launched
1988	Sales of Japanese government bonds begun
1989	Issuance of regional stamps (later renamed <i>Furusato</i> stamps) and New Year's lottery stamps begun New general passbook service launched
1991	Issuance of <i>Furusato</i> picture postcards and donation-added New Year's lottery stamps begun Foreign exchange service launched
1998	Seven-digit postal code system introduced
1999	ATM/CD alliance service with private-sector financial institutions launched <i>Minna no Taiso</i> ("Exercise for Everyone") program developed Sales of lotteries begun
2000	Mutual remittance services between post offices and private-sector financial institutions begun
2001	Postal Services Agency established
2002	Defined contribution pensions (individual annuities) service begun
2003	Japan Post established EXPACK500 standard-size parcel service launched
2005	Sales of investment trusts begun
2007	Japan Post Group established Carbon offset New Year's postcards added to the lineup of 2008 New Year's postcards Sales of automobile insurance begun
2008	Issuance of JP BANK CARD begun Intermediary service for individual loans launched Agent sales of individual annuities begun A new hospitalization rider, <i>Sono hi kara</i> , launched Post Office Referrals comprehensive lifestyle referral services launched Sales of third-sector insurance begun Sales of life insurance for corporate clients (for management-level personnel) begun
2009	Online connection to the Zengin Data Telecommunication System (Zengin System) established
2010	Letter Pack service launched

4. Japan Post Group Highlights in Fiscal 2012

2011

April

May

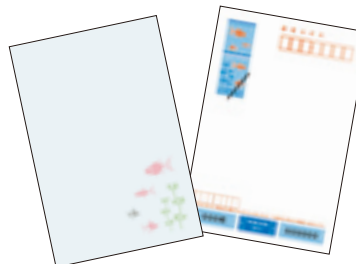
June



Spring Hajimeyou-Fair at post offices (3.1 to 4.28)



Held the All-Japan Stamp Exhibition. (4.29 to 5.1)

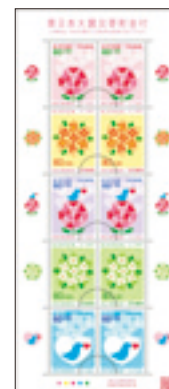


Sales of Kamo-Mail (6.1 to 8.26)



"Let's Support East Japan! East Japan Recovery Support Catalog" (5.9 to 6.30)

Donation-added "Summer Gift Catalog" (6.1 to 8.19)



Sales of postage stamps with donations for the Great East Japan Earthquake (6.21)

■ 3.1 to 4.28

Spring Hajimeyou-Fair at post offices

Held a Spring Hajimeyou-Fair at post offices nationwide and branches of Japan Post Group companies, which is designed to provide support to new students, new employees and new community members starting a new life in April with a diverse range of products and services.

■ 4.1

New discount services for EMS and international registered mail

Initiated a new discount service for express mail service (EMS), which is based on the number of items sent during the previous year, and another volume-related discount service for international registered mail.

■ 4.1

Continued to offer preferential interest rates on TEIGAKU deposits.

Extended the period for offering preferential interest rates on TEIGAKU deposits, which started in April 2010, until the end of March 2012.

■ 4.29 to 5.1

Held the All-Japan Stamp Exhibition.

Held the 2011 All-Japan Stamp Exhibition to show the value of letters and the joy of the collection and study of stamps to a wide range of audiences.

■ 5.1

Sponsoring Yucho LETTER for LINKS

We sponsor Yucho LETTER for LINKS, an FM radio program about "Ties of the Heart," broadcast on every Sunday from 15:00 to 15:30 by 38 member radio stations of the Japan FM Network across the country, including TOKYO FM.

[Go to P.47](#)

■ 5.9 to 6.30

Let's Support East Japan! East Japan Recovery Support Catalog

In order to support the recovery of companies which suffered damage caused by the Great East Japan Earthquake, we accepted orders at post offices across the country for 19 food products offered by local companies in Ibaraki Prefecture and six prefectures in the Tohoku region.

[Go to P.23](#)

■ 5.26

Finalized distribution of New Year's postcard charitable donations for fiscal 2012.

From the funds raised from New Year's postcard donations, distributed general aid of ¥358.04 million to 184 organizations and ¥100.84 million to seven organizations to assist disaster victims of the Great East Japan Earthquake. Also allotted ¥115.08 million raised from carbon offset New Year's postcard donations to 12 organizations. In addition, Japan Post Service independently made donations amounting to ¥7.56 million to support global warming prevention projects.

[Go to P.10, 83](#)

■ 6.1 to 8.19

Donation-added "Summer Gift Catalog"

As a program to support the recovery from the Great East Japan Earthquake, we issued a donation-added "Summer Gift Catalog" and accepted orders at post offices across the country. In October 2011, we donated 3% of the proceeds, amounting to ¥112.86 million, to the Japanese Red Cross Society.

[Go to P.11](#)

■ 6.1 to 8.26

Sales of Kamo-Mail

Sold Kamo-Mail summer 2011 greeting postcards available in six types: one plain, three illustrated, one with donations added for the Great East Japan Earthquake and one carbon offset type.

■ 6.21

Sales of donation-added postage stamps for the Great East Japan Earthquake

Continued to sell donation-added postage stamps for the purpose of assisting disaster victims of the Great East Japan Earthquake until September 30, 2011. These postage stamps feature heart, flower and blue bird motifs that deliver the heartfelt feelings of many people to disaster victims and encompass our wish for the earliest possible recovery.

[Go to P.10](#)

July

August

September



Sales of the second series of Disney *Gotochi* Letter Sets (7.20)
©Disney



At the 35th JAPAN U-12 FOOTBALL CHAMPIONSHIP in 2011 (8.1 to 8.6)



Held the PHILA NIPPON 2011. (7.28 to 8.2)



Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (7.31)



"Let's Enjoy Regional Specialties and Support East Japan Catalog" (9.15 to 10.31)



Yucho Direct page on smartphones (from 9.21 onward)

■ 7.20 ● Sales of the second series of Disney *Gotochi* Letter Sets

Released the second series of Disney *Gotochi* Letter Sets, each featuring Disney characters, which are popular among all generations, together with tourist spots, events and products representative of each region.

■ 7.28 to 8.2 ●

Held PHILA NIPPON 2011.
Held PHILA NIPPON (Japan World Stamp Exhibition) 2011, showcasing postage stamps of Japan and other countries in the world.

■ 7.31 ● Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

Held the 50th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") in Hamamatsu City, Shizuoka Prefecture. [Go to P.57, 83](#)

■ 8.1 ● Implemented "Pay-Later Post-In" service.

Started a new service for pay-later mail items, which allows customers to place their mail and labels in a special letter case and drop it in a nearby post box instead of bringing their mail to the postal counter. [Go to P.32](#)

■ 8.1 ● Enhanced our lineup of *Toshin* (investment trust) Direct products.

Began sales of 11 new investment trust products through *Toshin* Direct (an Internet transaction service), bringing the total to 32 products. [Go to P.46](#)

■ 8.1 to 8.6 ● Support for the JAPAN U-12 FOOTBALL CHAMPIONSHIP

With the aim of supporting children with great promise, and to foster their sound physical and mental growth and development, we provided support to the ongoing 35th JAPAN Under-12 FOOTBALL CHAMPIONSHIP. The national tournament was held at the Susono Soccer Field in Gotenba Kogen Tokino Sumika, Shizuoka Prefecture, and at other venues in August 2011. [Go to P.47, 83](#)

■ 9.1 ● Started providing DM Factory services.

Opened a new page, DM Factory, on the Japan Post Service website, which allows customers to easily design direct mail (DM) pieces and place orders for printing. [Go to P.32](#)

■ 9.1 ● Renewal of the *Kanpo no Yado* inns website

Totally renewed our *Kanpo no Yado* inns website, disseminating information on hot springs, specialty dishes and other attractive points of *Kanpo no Yado* inns and their latest news. The new website features a simple and easy process for anyone to make reservations online.

■ 9.15 to 10.31 ● Let's Enjoy Regional Specialties and Support East Japan Catalog

To assist the recovery of the regional economy in eastern Japan, we issued the "Let's Enjoy Regional Specialties and Support East Japan Catalog" and accepted orders at post offices nationwide for 26 products offered by companies in six prefectures in the Tohoku region, Chiba Prefecture, Ibaraki Prefecture and Nagano Prefecture. [Go to P.23](#)

■ 9.16 ● Started providing a Yu-Pack service for online auctions.

Started providing a convenient and money-saving Yu-Pack parcel service for online auction users*.

* Users of Rakuten Auction (from September 16, 2011) and MOBAOKU (from January 24, 2012) [Go to P.32](#)

■ 9.21 ● Rolled out *Yucho* Direct on smartphones.

Launched a specialized *Yucho* Direct (Internet banking service) page on smartphones. [Go to P.46](#)

2011

October

November

December



Sales of In print New Year's lottery postcards (11.1 to 1.13)



JP BANK JCB Card EXTAGE



Sales of New Year's postcards (11.1 to 1.13)
©DISNEY. Based on the "Winnie the Pooh" works by A.A. Milne and E.H. Shephard.



Held "Kanpo Kids Smile World®." (11.11 and 12)



Piggy bank that won the Great Idea Award (sixth grade group) (11.29)



JP Post website accessible via smartphones (from 12.9 onward)

■ 10.1 Extended period for the elimination of fees for internal transfer of funds.

Extended the period for eliminating fees for transfer of funds between Japan Post Bank accounts through cash ATMs, which started in October 2007, until the end of September 2012.

■ 10.20 Started sales of Atataka Mail.

Started sales of *Atataka Mail* at 20 major post offices nationwide and all UNIQLO stores across the country.

[Go to P.23](#)

■ 10.20 Started a Yu-Pack same-day delivery service.

Launched a same-day delivery service for Yu-Pack parcels submitted to branches of Japan Post Service by around noon.

* Deliverable areas may vary depending on locations of branches.

[Go to P.33](#)

■ 10.24 Initiated a mail order service to open investment trust accounts.

Customers having general accounts at Japan Post Bank can now open investment trust accounts by sending an application form by postal mail.

[Go to P.46](#)

■ 11.1 to 1.13 Sales of New Year's postcards

Started sales of 2012 New Year's postcards.

[Go to P.33](#)

■ 11.1 to 1.13 Sales of In print New Year's lottery postcards, Otoshidama (New Year's money) envelopes and other items

Sold In print New Year's lottery postcards with pre-printed illustrations and greeting messages, New Year's stickers, *Otoshidama* (New Year's money) gift envelopes and *Otoshidama* KitKat with *Otoshidama* envelope.

■ 11.8 Collaboration between eBay Japan and Japan Post Service for expansion of the international e-commerce market

Reached an agreement with eBay Japan to cooperate with each other in expanding the international e-commerce market (sales by Japanese retailers to overseas customers) and increasing the use of international postal mail through eBay's international e-commerce services.

[Go to P.33](#)

■ 11.11 and 12 Held "Kanpo Kids Smile World®."

Held a childcare support event, including various fun programs enjoyed by both parents and children, at the Tokyo Dome City Prism Hall in Bunkyo-ku, Tokyo.

[Go to P.84](#)

■ 11.25 to 3.31 "JP BANK Card EXTAGE presents Song of Arigatou Campaign"

For promotion of our JP BANK JCB Card EXTAGE, we ran a "Song of *Arigatou* Campaign" to produce and publish a song based on *Arigatou* ("Thank you") stories solicited on Twitter.

■ 11.29 Secondary judging for the original piggy bank design contest and a donation presentation ceremony

Conducted the secondary judging for the 36th original piggy bank design contest, announced the prizewinners and held a ceremony to present donation to the Japan Committee for UNICEF.

[Go to P.83](#)

■ 12.1 Finalized distribution of donations for the Great East Japan Earthquake.

Distributed ¥892.97 million raised from sales of Kamo-Mail postcards and donation-added postage stamps for the Great East Japan Earthquake to 83 local public organizations affected by the disaster.

[Go to P.10](#)

■ 12.9 JP Post website accessible via smartphones

Started providing certain contents of the JP Post website on smartphones.

The mobile JP Post website on smartphones uses icons and link buttons to represent individual top menu items, enabling users to reach their destination pages quickly and efficiently.

2012

January

February

March



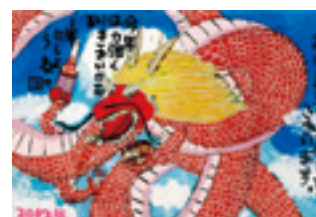
Sales of Kit Mail (1.5)



Postcard that won the Japan Post Award in the Letter Writing Contest (1.24)



Postcard that won the Excellent New Year's Postcard Award in the All-Japan New Year's Postcard Contest (2.20)



Promotional website for the Yucho Toshin WEB Premier service (from 3.26 onward)

"New Year Dream Kanpo Campaign 2012" (1.10 to 3.2)



"Freshers Campaign" (2.1 to 5.31)

- 1.1 ●
Delivery of New Year's postcards
Delivered 1,925 million New Year's postcards nationwide on January 1, 2012.

- 1.5 ●
Sales of Kit Mail
Sold Kit Mail, a product jointly developed with Nestlé Japan Ltd., for sending messages of support to students taking entrance examinations in 2012.

- 1.10 to 3.2 ●
"New Year Dream Kanpo Campaign 2012"
Held a "New Year Dream Kanpo Campaign 2012" at post offices and branches of Japan Post Insurance nationwide. [Go to P.57](#)

- 1.22 ●
Held a drawing for New Year's lottery postcards.
Held a drawing for 2012 New Year's lottery postcards at the Communications Museum and picked the winning numbers for the first to fourth prizes.

- 1.24 ●
Announced the prizewinners for the Letter Writing Contest.
Announced the prizewinners for the 44th Letter Writing Contest (held from August 22 to September 22, 2011).

- 1.29 ●
Held the National Presentation Contest for Communication by Postcard.
Encouraged elementary schools that have participated in the letter writing workshop program to send in heart-warming postcards exchanged in their classrooms, and selected and announced outstanding ones at this national contest.

- 2.1 to 5.31 ●
"Freshers Campaign"
Held a "Freshers Campaign" at post offices and branches of Japan Post Bank nationwide, giving out special goods featuring Yucho Kazoku (Yucho Family).

- 2.1 ●
Started a Yu-Pack same-day delivery service at post offices.
Also started a same-day delivery service for Yu-Pack parcels submitted to post offices co-located with branches of Japan Post Service in Tokyo and Osaka.

- 2.11 and 18 ●
Held "Japan Post Insurance Health Promotion Living Symposium 2012."
Held a symposium under the theme of "Move One Step Forward and Find a New Self," including a keynote speech by former speed skater Hiroyasu Shimizu and panel discussions exploring the topic of promotion of health. [Go to P.84](#)

- 2.20 ●
Announced the prizewinners for the All-Japan New Year's Postcard Contest.
Announced the prizewinners for the 9th All-Japan New Year's Postcard Contest (held from November 7 to December 12, 2011).

- 3.1 ●
Opened the mobile website of Kanpo no Yado inns.
Certain contents of the Kanpo no Yado inns website were made available on cell phones and smartphones, enabling users to view information on Kanpo no Yado inns anytime, anywhere, e.g., while on the move or traveling from one place to another.

- 3.26 ●
Yucho Toshin WEB Premier service
Before the launch of Yucho Toshin WEB Premier, a members-only Internet investment trust service, in May 7, 2012, started accepting applications on March 26. [Go to P.46](#)

- 3.29 ●
Finalized distribution of New Year's postcard charitable donations for fiscal 2013.
From the funds raised from New Year's postcard donations, distributed a general aid of ¥557.37 million to 281 organizations and ¥130.87 million to 33 organizations to assist disaster victims of the Great East Japan Earthquake and disaster prevention (recovery) efforts. Also allotted ¥91.42 million raised from carbon offset New Year's postcard donations to 17 organizations (including 12 organizations to which Japan Post Service independently made donations amounting to ¥5 million to support global warming prevention projects). [Go to P.10, 33, 83](#)

5. Our Response to the Great East Japan Earthquake

The Japan Post Group extends its heartfelt sympathy to the people who have suffered from the Great East Japan Earthquake that occurred on March 11, 2011. We have implemented a series of initiatives aimed at supporting the swiftest recovery possible of people affected by the disaster.

1. Status of Resuming Operations of Post Offices

On March 14, 2011, which was the first business day after the earthquake, the number of "out-of-service" directly operated post offices and contracted post offices in three prefectures in the Tohoku region (Iwate, Miyagi and Fukushima prefectures) was 583 (out of 1,103) and 100 (out of 319), respectively, or approximately half of the total post offices located within the district. We gradually resumed operations primarily through makeshift post offices, and



A makeshift office used by the Sanriku Post Office (Iwate Prefecture)

as of May 31, 2012, had reduced the number of "out-of-service" directly operated post offices and contracted post offices to 53 and 27, respectively.

These figures include 20 directly operated post offices and seven contracted post offices in restricted areas due to the Fukushima Daiichi Nuclear Power Plant accident.



A makeshift office used by the Arahama Post Office (Miyagi Prefecture)

2. Assistance for Disaster Victims

1. Postal Operations

■ Delivering Mail to Temporary Housing Units

Mail was delivered to temporary housing units after confirming the address of customers who relocated there from evacuation shelters. Additionally, we set up post boxes inside temporary housing complexes in conjunction with local authorities (136 post boxes in the three prefectures of Tohoku as of March 31, 2012) and worked to improve customer convenience.

■ No Postal Charge on Registered Mail Used to Send Cash for Disaster Relief Purposes

Registered mail was handled without charging postage when used to send cash for disaster relief to organizations engaged in disaster relief activities. (March 14, 2011~)

■ Offering Postcards Free of Charge

Five postcards and one postal envelope were provided free of charge to each household in the affected areas (in 313 locations in municipalities applicable under the Disaster Relief Act). Disaster victims were also exempt from paying postal fees (March 16 to April 15, 2011).

■ Issuance of Donation-added Postcards and Postage Stamps

Around 12 million donation-added postcards and 42 million donation-added postage stamps were sold for the purpose of helping disaster victims. Total donations raised in the amount of ¥892.97 million were distributed to 83 local governments affected by the disaster.

■ Allocation of New Year's Postcard Charitable Donations

In fiscal 2011, a portion of the donations collected through the donation-added New Year's postcards amounting to ¥100 million was distributed to organizations providing support to disaster victims after once again soliciting applicants.

For donation-added New Year's postcards in fiscal 2012, the amount of donation per card was increased from the standard ¥3 to ¥5, while a special amount was set and distributed to organizations involved in rescuing disaster victims from the Great East Japan Earthquake and promoting prevention (recovery).

2. Financial Services

■ Emergency Deposit Withdrawals and Insurance Payments

Withdrawals of up to ¥200,000 on ordinary savings are permitted to depositors who have lost their deposit passbooks, deposit certificates, seals, etc., as a result of the Great East Japan Earthquake, extending the grace period (the period in which the insurance stays in force when there is a delay in premium payment) to a total of nine months and making emergency insurance payments.

■ No Commission Charge on Transfer of Relief Funds

We handled the transfer of relief funds to organizations engaged in disaster relief activities without charging commission fees when the transfer was made manually at the post office counter (Number of transfers: approximately 3 million; Amount transferred: approximately ¥86.9 billion (as of May 31, 2012)).

3. Counter Operations

■ Special Counter Services by Mobile Post Offices

Special counter services were provided through mobile post offices to handle emergency deposit withdrawals, offer postcards free of charge and provide consultations on insurance matters.



Special counter services at a mobile post office
(Kumano Shrine office car park in Iwate Prefecture)

■ Extra Counter Service Hours

Some post offices and branches of Japan Post Bank were opened within the Tohoku region for extra hours on Saturdays, Sundays and public holidays from March 13 to April 24, 2011 to handle services such as emergency deposit withdrawals.

■ Counter Services via Dispatch of Staff to Evacuation Shelters

Post office staff were dispatched to nine evacuation shelters in Miyagi Prefecture and six in Iwate Prefecture to handle emergency deposit withdrawals. We also began dispatching personnel to provide services to 25 evacuation shelters in Miyagi Prefecture and three in Iwate Prefecture in May 2011.

4. Others

■ Donation-added "Summer Gift Catalog"

Japan Post Network issued a donation-added "Summer Gift Catalog" as a project supporting recovery following the Great East Japan Earthquake. Applications were accepted at all post offices nationwide and 3% of total sales amounting to ¥112.86 million was donated to the Japanese Red Cross Society in October 2011.

The "Let's Support East Japan! East Japan Recovery Support Catalog" and "Let's Enjoy Regional Specialties and Support East Japan Catalog" were also issued.



■ Acceptance of Disaster Victims at Kanpo no Yado Inns

Six Kanpo no Yado inns accepted disaster victims (a total of 551 people at the peak). For voluntary evacuees, we offered accommodation at a special low rate (1,110 people stayed at 14 locations (total from March 11 to September 17, 2011)).

■ Medical Support by Teishin Hospitals

Together with accepting a total of 82 patients from disaster medical centers in Ishinomaki and Shiogama Cities, Sendai Teishin Hospital set up a free health consultation counter for disaster victims. Medical supplies, medical materials and emergency preserved foods for patients were provided by Teishin Hospitals across the country.

■ Supported "Yellow Post Box Fundraising Campaign"

Post offices nationwide supported a charity drive organized by employee volunteers from each of the Group companies by placing donation boxes at the counter. A total of ¥308.4 million was raised (donated to 128 municipalities affected by the Great East Japan Earthquake).



Donation box resembling a yellow post box

6. Japan Post Group Financial Review

1

Consolidated Summary (April 1, 2011 to March 31, 2012)

The Japan Post Group's consolidated net ordinary income was ¥1,176.8 billion and net income was ¥468.9 billion. At the end of the fiscal year, total assets amounted to ¥292,126.5 billion and net assets totaled ¥10,935.3 billion.

1. Results of Operations (Year ended March 31, 2012)

	Japan Post Group (consolidated)	Japan Post Holdings (non-cons.)	Japan Post Network (non-cons.)	Japan Post Service (non-cons.)	Japan Post Bank (non-cons.)	Japan Post Insurance (non-cons.)
Ordinary income	¥16,661.4 billion	¥291.1 billion	¥1,236.2 billion	¥1,787.2 billion	¥2,234.5 billion	¥12,538.6 billion
Net ordinary income	¥1,176.8 billion	¥135.7 billion	¥42.7 billion	(¥10.0 billion)	¥576.2 billion	¥531.3 billion
Net income	¥468.9 billion	¥151.4 billion	¥18.8 billion	(¥4.5 billion)	¥334.8 billion	¥67.7 billion

(Reference: Year ended March 31, 2011)

Ordinary income	¥17,468.9 billion	¥309.3 billion	¥1,284.9 billion	¥1,803.2 billion	¥2,205.3 billion	¥13,375.4 billion
Net ordinary income	¥956.9 billion	¥143.4 billion	¥58.2 billion	(¥89.0 billion)	¥526.5 billion	¥422.2 billion
Net income	¥418.9 billion	¥153.6 billion	¥30.6 billion	(¥35.4 billion)	¥316.3 billion	¥77.2 billion

Note: Amounts less than ¥100 million are rounded down. The aggregate consolidated amounts and aggregate non-consolidated amounts do not correspond because of other consolidated accounting procedures.

The results of operations for the fiscal year ended March 31, 2012 for five companies (Japan Post Holdings, Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance) are shown

above. After adding the results of operations of other subsidiaries and affiliated companies to consolidated operations, net income amounted to ¥468.9 billion.

2. Financial Conditions (Year ended March 31, 2012)

	Japan Post Group (consolidated)	Japan Post Holdings (non-cons.)	Japan Post Network (non-cons.)	Japan Post Service (non-cons.)	Japan Post Bank (non-cons.)	Japan Post Insurance (non-cons.)
Total assets	¥292,126.5 billion	¥9,747.1 billion	¥3,120.9 billion	¥1,851.9 billion	¥195,819.8 billion	¥93,688.6 billion
Total liabilities	¥281,191.1 billion	¥1,250.6 billion	¥2,820.2 billion	¥1,664.9 billion	¥186,001.7 billion	¥92,396.5 billion
Net assets	¥10,935.3 billion	¥8,496.5 billion	¥300.7 billion	¥187.0 billion	¥9,818.1 billion	¥1,292.0 billion

(Reference: Year ended March 31, 2011)

Total assets	¥292,933.0 billion	¥9,648.9 billion	¥3,249.8 billion	¥1,863.4 billion	¥193,443.3 billion	¥96,786.7 billion
Total liabilities	¥282,933.0 billion	¥1,266.1 billion	¥2,960.2 billion	¥1,671.8 billion	¥184,349.7 billion	¥95,579.0 billion
Net assets	¥9,999.9 billion	¥8,382.8 billion	¥289.5 billion	¥191.5 billion	¥9,093.6 billion	¥1,207.6 billion

Note: Amounts less than ¥100 million are rounded down. The aggregate consolidated amounts and aggregate non-consolidated amounts do not correspond because of other consolidated accounting procedures.

Consolidated total assets at the end of the fiscal year were ¥292,126.5 billion, a year-on-year decrease of ¥806.4 billion. Assets included securities of ¥250,715.4 billion and loans discounted of ¥18,063.5 billion.

Consolidated total liabilities at the end of the fiscal year were ¥281,191.1 billion, a year-on-year decrease of ¥1,741.8 billion. Liabilities included deposits of ¥174,434.0 billion and policy reserves of ¥88,651.0 billion.

After excluding ¥38.4 billion in dividends within retained earnings and adding consolidated net income of ¥468.9 billion, net assets rose from ¥9,999.9 billion at the end of the previous fiscal year-end to ¥10,935.3 billion. Net assets included net unrealized gains on available for-sale securities of ¥997.3 billion.

As of March 31, 2012, the consolidated capital adequacy ratio (domestic standard) was 57.70%.

3. Consolidated Financial Highlights (April 1, 2011 to March 31, 2012)

■ Consolidated Results of Operations

Ordinary income (Year ended March 31, 2012) ¥16,661,440 million (Year ended March 31, 2011) ¥17,468,947 million	▶	Net ordinary income (Year ended March 31, 2012) ¥1,176,860 million (Year ended March 31, 2011) ¥956,917 million	▶	Net income (Year ended March 31, 2012) ¥468,907 million (Year ended March 31, 2011) ¥418,929 million
Net income per share (Year ended March 31, 2012) ¥3,126.05 (Year ended March 31, 2011) ¥2,792.86		Diluted net income per share (Note) (Year ended March 31, 2012) — (Year ended March 31, 2011) —		
Return on equity (Year ended March 31, 2012) 4.5% (Year ended March 31, 2011) 4.3%		Net ordinary income/Total assets (Year ended March 31, 2012) 0.4% (Year ended March 31, 2011) 0.3%		Net ordinary income/Ordinary income (Year ended March 31, 2012) 7.1% (Year ended March 31, 2011) 5.5%

(Reference) Equity in earnings of affiliates
 Fiscal year ended March 31, 2012: ¥29 million
 Fiscal year ended March 31, 2011: ¥31 million

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

■ Consolidated Financial Condition

Total assets		(Year ended March 31, 2012) ¥292,126,555 million (Year ended March 31, 2011) ¥292,933,013 million	Net assets		(Year ended March 31, 2012) ¥10,935,358 million (Year ended March 31, 2011) ¥ 9,999,952 million
Capital adequacy ratio (Note 1)	(Year ended March 31, 2012) 3.7% (Year ended March 31, 2011) 3.4%	Net assets per share	(Year ended March 31, 2012) ¥72,893.42 (Year ended March 31, 2011) ¥66,658.19	Consolidated capital adequacy ratio (domestic standard) (Note 2)	(Year ended March 31, 2012) 57.70% (Year ended March 31, 2011) 61.30%

Notes: 1. The capital adequacy ratio is calculated by dividing net assets less minority interests at the end of the fiscal year by total assets at the end of the fiscal year.

2. 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).

(Reference) Equity capital
 Fiscal year ended March 31, 2012: ¥10,934,013 million
 Fiscal year ended March 31, 2011: ¥ 9,998,728 million

2 Japan Post Holdings Financial Highlights (April 1, 2011 to March 31, 2012)

In addition to serving as a holding company, Japan Post Holdings operates hospitals and hotels and also contracts to provide shared services to Group companies. Ordinary income was ¥291.1 billion, net ordinary income was ¥135.7 billion and net income was ¥151.4 billion.

■ Results of Operations

Operating income (Year ended March 31, 2012) ¥287,633 million (Year ended March 31, 2011) ¥305,878 million	▶	Net operating income (Year ended March 31, 2012) ¥133,264 million (Year ended March 31, 2011) ¥140,752 million	▶	Net ordinary income (Year ended March 31, 2012) ¥135,773 million (Year ended March 31, 2011) ¥143,466 million	▶	Net income (Year ended March 31, 2012) ¥151,404 million (Year ended March 31, 2011) ¥153,622 million
Net income per share (Year ended March 31, 2012) ¥1,009.36 (Year ended March 31, 2011) ¥1,024.15		Diluted net income per share (Note) (Year ended March 31, 2012) — (Year ended March 31, 2011) —				
Return on equity (Year ended March 31, 2012) 1.8% (Year ended March 31, 2011) 1.8%		Net ordinary income/Total assets (Year ended March 31, 2012) 1.4% (Year ended March 31, 2011) 1.5%		Net operating income/Operating income (Year ended March 31, 2012) 46.3% (Year ended March 31, 2011) 46.0%		

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

■ Financial Condition

Total assets		(Year ended March 31, 2012) ¥9,747,186 million (Year ended March 31, 2011) ¥9,648,973 million	Net assets		(Year ended March 31, 2012) ¥8,496,547 million (Year ended March 31, 2011) ¥8,382,804 million
Capital adequacy ratio	(Year ended March 31, 2012) 87.2% (Year ended March 31, 2011) 86.9%	Net assets per share	(Year ended March 31, 2012) ¥56,643.65 (Year ended March 31, 2011) ¥55,885.36	(Reference) Equity capital Fiscal year ended March 31, 2012: ¥8,496,547 million Fiscal year ended March 31, 2011: ¥8,382,804 million	

3 Japan Post Network Financial Highlights (April 1, 2011 to March 31, 2012)

As a result of strengthening collaboration with the Japan Post Group companies and promoting sales activities, operating income amounted to ¥1,208.4 billion, and net operating income totaled ¥33.4 billion. Ordinary income was ¥1,236.2 billion, net ordinary income was ¥42.7 billion and net income was ¥18.8 billion.

Results of Operations

Operating income (Year ended March 31, 2012) ¥1,208,447 million (Year ended March 31, 2011) ¥1,256,349 million	Net operating income (Year ended March 31, 2012) ¥33,417 million (Year ended March 31, 2011) ¥49,548 million	Net ordinary income (Year ended March 31, 2012) ¥42,745 million (Year ended March 31, 2011) ¥58,260 million	Net income (Year ended March 31, 2012) ¥18,826 million (Year ended March 31, 2011) ¥30,661 million
Net income per share (Year ended March 31, 2012) ¥4,706.63 (Year ended March 31, 2011) ¥7,665.40	Diluted net income per share (Note) (Year ended March 31, 2012) — (Year ended March 31, 2011) —		
Return on equity (Year ended March 31, 2012) 6.4% (Year ended March 31, 2011) 11.0%	Net ordinary income/ Total assets (Year ended March 31, 2012) 1.3% (Year ended March 31, 2011) 1.8%	Net operating income/ Operating income (Year ended March 31, 2012) 2.8% (Year ended March 31, 2011) 3.9%	

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

Financial Condition

Total assets	(Year ended March 31, 2012) ¥3,120,978 million (Year ended March 31, 2011) ¥3,249,823 million	Net assets	(Year ended March 31, 2012) ¥300,700 million (Year ended March 31, 2011) ¥289,538 million
Capital adequacy ratio	(Year ended March 31, 2012) 9.6% (Year ended March 31, 2011) 8.9%	Net assets per share	(Year ended March 31, 2012) ¥75,175.00 (Year ended March 31, 2011) ¥72,384.73
(Reference) Equity capital Fiscal year ended March 31, 2012: ¥300,700 million Fiscal year ended March 31, 2011: ¥289,538 million			

4 Japan Post Service Financial Highlights (April 1, 2011 to March 31, 2012)

Japan Post Service handled a total of 22,363.35 million items (a year-on-year decrease of 1.8%), including 19,107.91 million items of mail (down 3.6%), 382.59 million Yu-Pack parcels (up 11.4%) and 2,872.15 million Yu-Mail booklet parcels (up 9.6%). Amid a continued downtrend in the number of items of mail handled, the implementation of measures to raise profitability led to a significant improvement in profits and losses, resulting in ordinary income of ¥1,787.2 billion, a net operating loss of ¥22.3 billion, a net ordinary loss of ¥10.0 billion and a net loss of ¥4.5 billion.

Results of Operations

Operating income (Year ended March 31, 2012) ¥1,764,861 million (Year ended March 31, 2011) ¥1,779,870 million	Net operating income (Year ended March 31, 2012) (¥22,354 million) (Year ended March 31, 2011) (¥103,473 million)	Net ordinary income (Year ended March 31, 2012) (¥10,007 million) (Year ended March 31, 2011) (¥89,093 million)	Net income (Year ended March 31, 2012) (¥4,525 million) (Year ended March 31, 2011) (¥35,435 million)
Net income per share (Year ended March 31, 2012) (¥1,131.36) (Year ended March 31, 2011) (¥8,858.86)	Diluted net income per share (Note) (Year ended March 31, 2012) — (Year ended March 31, 2011) —		
Return on equity (Year ended March 31, 2012) (2.4%) (Year ended March 31, 2011) (16.9%)	Net ordinary income/ Total assets (Year ended March 31, 2012) (0.5%) (Year ended March 31, 2011) (4.7%)	Net operating income/ Operating income (Year ended March 31, 2012) (1.3%) (Year ended March 31, 2011) (5.8%)	

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

Financial Condition

Total assets		(Year ended March 31, 2012) ¥1,851,928 million (Year ended March 31, 2011) ¥1,863,433 million		Net assets		(Year ended March 31, 2012) ¥187,020 million (Year ended March 31, 2011) ¥191,546 million	
Capital adequacy ratio	(Year ended March 31, 2012) 10.1% (Year ended March 31, 2011) 10.3%	Net assets per share	(Year ended March 31, 2012) ¥46,755.24 (Year ended March 31, 2011) ¥47,886.61	(Reference) Equity capital Fiscal year ended March 31, 2012: ¥187,020 million Fiscal year ended March 31, 2011: ¥191,546 million			

5 Japan Post Bank Financial Highlights (April 1, 2011 to March 31, 2012)

As a result of sales efforts aimed of maintaining the balances of many matured *TEIGAKU* deposits, Japan Post Bank held deposits totaling ¥175.6 trillion (¥176.4 trillion including accrued interest). Ordinary income (revenues) was ¥2,234.5 billion, net ordinary income was ¥576.2 billion and net income was ¥334.8 billion. Capital adequacy ratio (non-consolidated, domestic standard) was 68.39%.

Results of Operations

Ordinary income (Year ended March 31, 2012) ¥2,234,596 million (Year ended March 31, 2011) ¥2,205,344 million		Net ordinary income (Year ended March 31, 2012) ¥576,215 million (Year ended March 31, 2011) ¥526,550 million		Net income (Year ended March 31, 2012) ¥334,850 million (Year ended March 31, 2011) ¥316,329 million	
Net income per share (Year ended March 31, 2012) ¥2,232.33 (Year ended March 31, 2011) ¥2,108.86		Diluted net income per share (Note) (Year ended March 31, 2012) — (Year ended March 31, 2011) —			
Return on equity (Year ended March 31, 2012) 3.5% (Year ended March 31, 2011) 3.5%		Net ordinary income/Total assets (Year ended March 31, 2012) 0.2% (Year ended March 31, 2011) 0.2%		Net ordinary income/Ordinary income (Year ended March 31, 2012) 25.7% (Year ended March 31, 2011) 23.8%	

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

Financial Condition

Total assets (Year ended March 31, 2012) ¥195,819,898 million (Year ended March 31, 2011) ¥193,443,350 million		Net assets (Year ended March 31, 2012) ¥9,818,162 million (Year ended March 31, 2011) ¥9,093,634 million	
Capital adequacy ratio (Year ended March 31, 2012) 5.0% (Year ended March 31, 2011) 4.7%		Net assets per share (Year ended March 31, 2012) ¥65,454.41 (Year ended March 31, 2011) ¥60,624.23	
		Capital adequacy ratio (non-consolidated, domestic standard) (Note) (Year ended March 31, 2012) 68.39% (Year ended March 31, 2011) 74.82%	

Note: The capital adequacy ratio (non-consolidated, domestic standard) is calculated in line with 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).

(Reference) Equity capital
 Fiscal year ended March 31, 2012: ¥9,818,162 million
 Fiscal year ended March 31, 2011: ¥9,093,634 million

6 Japan Post Insurance Financial Highlights (April 1, 2011 to March 31, 2012)

As a result of efforts to strengthen its sales promotion capabilities in collaboration with Japan Post Network, Japan Post Insurance established 2.12 million new insurance policies for individuals (a year-on-year increase of 68 thousand), posting ordinary income of ¥12,538.6 billion, net ordinary income of ¥531.3 billion and net income of ¥67.7 billion. Insurance premiums amounted to ¥6,856.4 billion, and core profit was ¥571.6 billion, while retained earnings (reserve for price fluctuations and contingency reserve) totaled ¥3,241.9 billion, for a solvency margin ratio of 1,336.1%.

Results of Operations

Ordinary income (Year ended March 31, 2012) ¥12,538,618 million (Year ended March 31, 2011) ¥13,375,468 million		Net ordinary income (Year ended March 31, 2012) ¥531,388 million (Year ended March 31, 2011) ¥422,207 million		Net income (Year ended March 31, 2012) ¥67,734 million (Year ended March 31, 2011) ¥77,276 million	
Net income per share (Year ended March 31, 2012) ¥3,386.70 (Year ended March 31, 2011) ¥3,863.81		Diluted net income per share (Note) (Year ended March 31, 2012) — (Year ended March 31, 2011) —			
Return on equity (Year ended March 31, 2012) 5.4% (Year ended March 31, 2011) 6.5%		Net ordinary income/Total assets (Year ended March 31, 2012) 0.6% (Year ended March 31, 2011) 0.4%		Net ordinary income/Ordinary income (Year ended March 31, 2012) 4.2% (Year ended March 31, 2011) 3.2%	

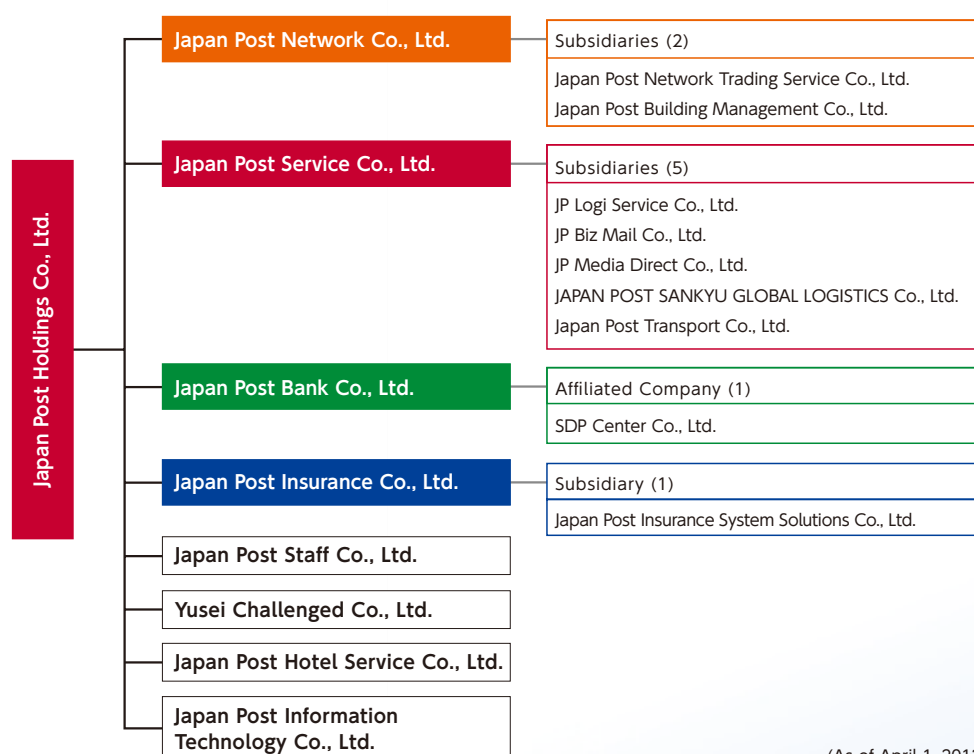
Note: Because there was no dilution, the amount for net income per share after dilution is omitted.

Financial Condition

Total assets (Year ended March 31, 2012) ¥93,688,672 million (Year ended March 31, 2011) ¥96,786,765 million		Net assets (Year ended March 31, 2012) ¥1,292,077 million (Year ended March 31, 2011) ¥1,207,690 million	
Capital adequacy ratio (Year ended March 31, 2012) 1.4% (Year ended March 31, 2011) 1.2%		Net assets per share (Year ended March 31, 2012) ¥64,603.86 (Year ended March 31, 2011) ¥60,384.51	
		(Reference) Equity capital Fiscal year ended March 31, 2012: ¥1,292,077 million Fiscal year ended March 31, 2011: ¥1,207,690 million	

7. The Operations of the Japan Post Group

1. Japan Post Group Structure



2. Nationwide Post Office Network

With 24,514 locations, our network of post offices covers all of Japan's 1,742 cities, towns, and villages*. These post offices, which serve as bases for various postal, banking, and insurance services that are offered by the Japan Post Group, have been an integral part of local communities for many years, and the Japanese public has come to greatly appreciate this extensive network.

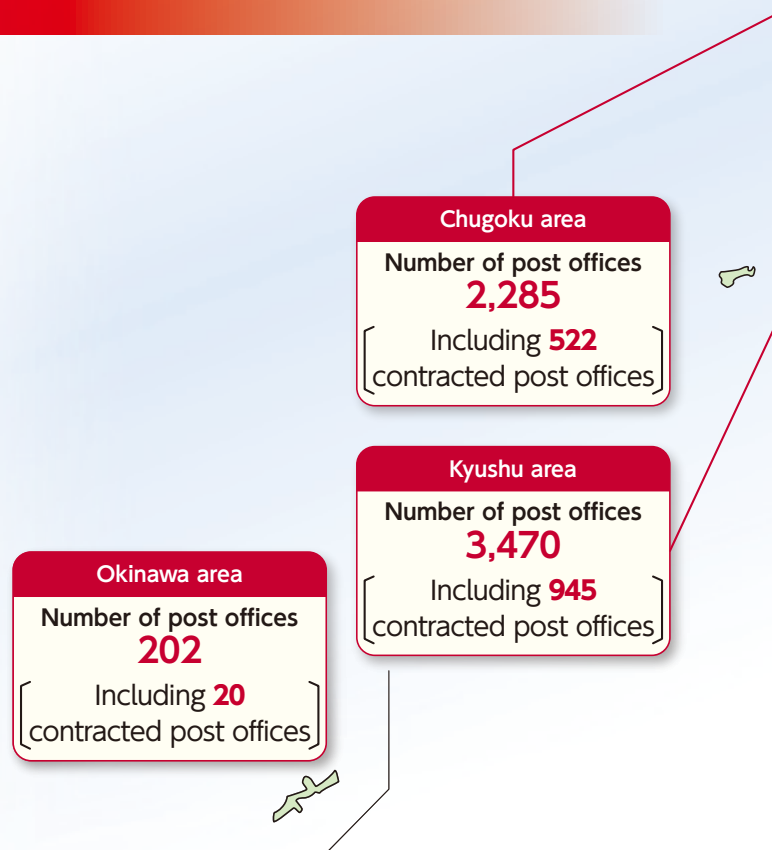
The Group looks forward to taking advantage of these post offices to provide convenient new services to residents of the communities we serve while ensuring their ability to access postal, banking, and insurance services in a unified manner throughout Japan.

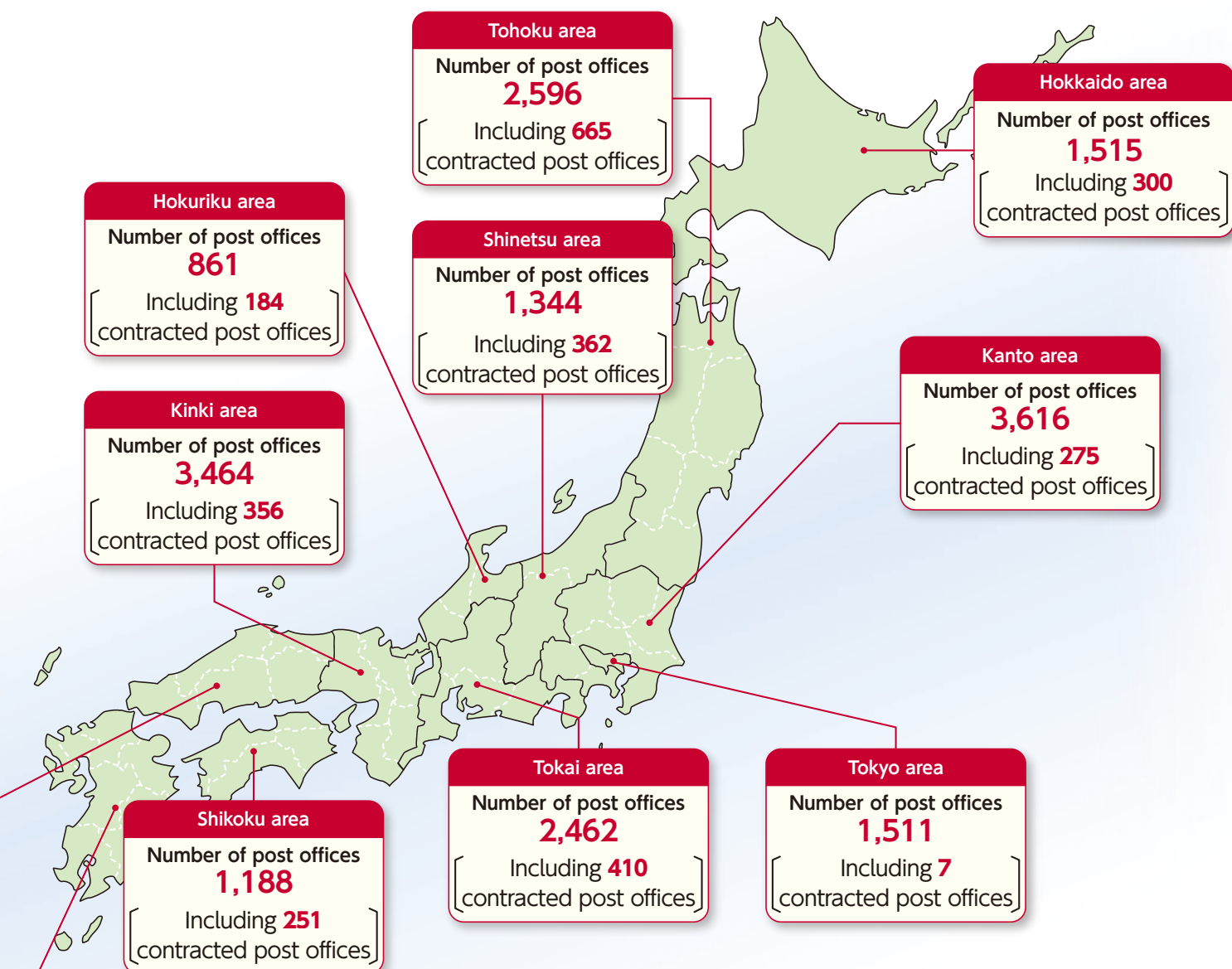
*Includes Tokyo's 23 special wards (as of March 31, 2012).

■ Post Offices in Japan (As of March 31, 2012)

Directly operated post offices (including branch offices)	20,217
Contracted post offices	4,297
Total	24,514

Note: Includes 64 directly operated post offices and 228 contracted post offices that are temporarily closed.





■ Initiatives for Maintaining the Post Office Network

Our post office network includes post offices directly operated by Japan Post Network and contracted post offices operated by local residents under outsourcing agreements. Some operators of contracted post offices have been unable to continue providing services for a variety of reasons, resulting in unavoidable temporary closures.

In response, Japan Post Network works to quickly resume operations and provides alternative services and other measures in communities affected by the temporary closure of contracted post offices.

● Initiatives for Resuming Operations at Temporarily Closed Contracted Post Offices

Since March 2008, support measures for contracted operators have been implemented, including an increase in handling commission fees paid to contractors and the implementation of a system for subleasing of facilities. As a result of these measures, the number of temporarily closed contracted post offices, which stood at 417 at the time of privatization, decreased to 228 as of March 31, 2012 (29 of which are due to the earthquake disaster).

● Provide Provisional Services for Temporary Closed Contracted Post Offices

In areas where the operations of temporarily closed post offices are unlikely to be resumed soon, we are providing the following provisional services.

○ Visiting Services Provided by Personnel from Directly Operated Post Offices

We are providing visiting services by personnel from directly operated post offices to rural areas to provide services at a public facility or other location (twice a week, a half-day each). Among the areas where contracted post offices have been temporarily closed, these services were being provided at 52 locations as of March 31, 2012.

○ Services Provided by Temporary Branches

Directly operated post offices are opening temporary branches near post offices temporarily closed in communities that have no financial institutions, which includes post offices. As of March 31, 2012, temporary branches were in operation at one location.

○ Services Provided by Mobile Post Offices

We are dispatching mobile post offices (*Poskuru*), which are specialized vehicles, to provide various services in Toyota City, Aichi Prefecture, as well as Naruto City and the surrounding area in Tokushima Prefecture.

Additionally, as of March 31, 2012, services of mobile post offices in Toyota City, Aichi Prefecture are temporarily suspended to provide services in the disaster-affected areas of the Great East Japan Earthquake.

Dedicated to Providing the Public with the Best Possible Services

CONTENTS

1. Operations of Japan Post Network

Message from the Company	20
1. Overview of Operations	22
2. Products and Services	24
3. Japan Post Network Business Performance	28

2. Operations of Japan Post Service

Message from the Company	30
1. Overview of Operations	32
2. Products and Services	34
3. Japan Post Service Business Performance	38

3. Operations of Japan Post Bank

Message from the Company	44
1. Overview of Operations	46
2. Products and Services	48
3. Japan Post Bank Business Performance	51

4. Operations of Japan Post Insurance

Message from the Company	54
1. Overview of Operations	56
2. Products and Services	58
3. Japan Post Insurance Business Performance	61

5. Other Businesses

1. Hospital Business	66
2. Hotel Business	67

1. Operations of Japan Post Network



Koji Furukawa
Chairman & CEO
Japan Post Network Co., Ltd.

Akira Nagatomi
President
Japan Post Network Co., Ltd.

Message from the Company



Review of Fiscal 2012

Japan Post Network Co., Ltd. makes efforts to offer new products and services, mainly through our postal, banking and insurance services—the core businesses of post offices—in order to meet the diverse needs of our customers. These efforts are based on our management philosophy that we offer products and services transparently through post office networks close to customers, aiming to contribute to “helping customers lead a better and more comfortable life at present and in the future.”

In fiscal 2012, we regarded “thorough compliance” as one of our top management issues, whereby we promoted measures centering on top management with a particular emphasis on striving to eliminate misconduct based on the business improvement plan formulated in January 2010.

In order to strengthen our revenue base, we encouraged further use of post offices by customers through initiatives that included promotional campaigns in partnership with the companies of the Japan Post Group. We have

also endeavored to diversify our revenue sources through efforts such as expanding post offices that will handle new financial products, including catalogue sales business and automobile insurance. Additionally, we have taken measures to improve the efficiency of our business operations and develop necessary systems in order to strengthen our management foundation. As a result of these efforts, Japan Post Network recorded operating income of ¥1,208.4 billion, net ordinary income of ¥42.7 billion and net income of ¥18.8 billion.

Issues for the Future

Looking at the climate surrounding Japan Post Network, we are faced with an extremely harsh business environment due to various reasons, including our revenues which continue to decline every year as a result of such factors as a reduction in the volume of postal mail and the number of insurance policies in force. In terms of misconduct, although the number of cases has been reduced, cases

are still occurring.

Based on such circumstances, in fiscal 2013, we will undertake initiatives with the "improvement of management efficiency" and "thorough compliance" as our basic policy.

In regard to the improvement of management efficiency, we will develop initiatives to expand new customers while also enhancing efficiency in various fields in order to establish a management structure that is capable of generating profits even amid a harsh business environment. Specifically, based on the structural characteristic of an organization in which the majority of post offices are small in terms of size and operated with a small number of employees, we will conduct management by consolidating a designated number of post offices as a unit. In doing so, we will efficiently utilize management resources by area while also expanding self-sustained activities of respective organizations with the aim of appropriately addressing regional needs.

Regarding thorough compliance, we will further pursue the enhancement of our corporate culture, in which we will strive to eliminate misconduct by continuously promoting various measures promoted to date, including the business improvement plan.

Additionally, while the impact of the Great East Japan Earthquake that struck the nation on March 11, 2011 remains, we will continue our efforts toward recovery as well as contributing to such efforts as supporting the daily lives of people affected by the disaster through exercising the public nature of post offices and grasping local needs in an appropriate manner.

The "Act for Partial Revision of the Postal Service Privatization Act and others" was enacted on April 27, 2012. In order to steadily provide universal services, we will maintain the level of the post office network, which is a shared asset of the Japanese people, and enhance the convenience of post office services by a merger with Japan Post Service Co., Ltd. Accordingly, we will promote initiatives to comprehensively support local customers' daily lives.

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

1. Overview of Operations

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

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

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

1. Postal Counter Operations of the Three Core Businesses

■ Counter Operations of the Three Core Businesses

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

■ Strengthen Sales Capabilities

Post offices serve as points of contact between customers and Japan Post Group companies. We worked to improve our sales capabilities in the three core businesses of postal, banking and insurance services by strengthening collaboration with Japan Post Group companies in order to curb the downward trend in sales of key products.

- Postal: We set up new displays and featured packaged products that were both appealing and easy to purchase by customers. We also made efforts to improve sales capabilities through collaboration with Japan Post Service.
- Savings: We have continued to offer special interest rates on *TEIGAKU* deposits carried out since April 2010 and worked to secure deposits. We also held pension advisory seminars and sought to maintain and expand the number of customers who automatically receive pension payments.
- Insurance: We established the activity of visiting policyholders as part of our “Comprehensive and Heartfelt Services” to follow up on the details of policies and worked to make customers feel more satisfied and confident in our services.

TOPICS

Opened JP Tower

Japan Post Network seeks to make effective utilization of real estate owned by the company as a new profit-making business.

One of those projects is JP Tower, which has been built in front of Tokyo Station. Plans were announced to rebuild the former Tokyo Central Post Office premises (Marunouchi, Chiyoda-ku) in June 2008 and construction was completed on May 31, 2012.

In addition to commercial offices equipped with state-of-the-art functionality, JP Tower has retained its historical aesthetics by preserving part of the former Tokyo Central Post Office building. It also includes advanced environment-friendly features such as LED lighting and air conditioning systems that use solar and geothermal energy. Besides office space, JP Tower contains a number of public contribution facilities that receive and transmit information and culture (international conference center, academic and cultural museum, and international business and tourist information center) as well as a number of attractive retail shops and restaurants. JP Tower will thus play an important role in making the district much livelier.

The Tokyo Central Post Office, housed within JP Tower, started operating on July 17, 2012. The grand opening of commercial and public contribution facilities is scheduled for spring 2013.

Aside from JP Tower, Japan Post Network operates real estate development business that covers sites where post offices are located in prime commercial areas as well as condominium apartment building business.



JP Tower

2. Providing New Products and Services

To respond to the diversified needs of customers and upgrade the one-stop functions of post offices, we are successively offering new products and services. We handle a variety of new financial products, which include the sale of individual variable annuities, third-sector insurance products, commissioned sales of corporate life insurance products (for management-level personnel) and automobile insurance. We are also involved in a catalog sales business in which we serve as an intermediary for sales of products listed in catalogs and on flyers placed in post offices. Other services include the handling of work for local public entities such as delivering official certification documents as well as providing comprehensive referral services for home security and moving. We are also establishing new businesses that make use of our real estate holdings as well as undertaking an advertising business utilizing extra space at post offices.

■ Expanded the Number of Post Offices Handling New Financial Services

We have gradually expanded the number of post offices that handle various new financial products to make them accessible to more customers. The number of post offices selling variable annuities has grown from 166 to 247 since October 2011, while the number handling life insurance for companies (for management-level personnel) has risen from 123 to 126 in the same period. The number of post offices handling automobile insurance has expanded from 600 to 701 since January 2012.

We will continue to strive to better meet the needs of more customers at post offices that are close to home.

■ Sales of *Atataka Mail*

Japan Post sold *Atataka Mail* (heart and body-warming mail) in cooperation with 20 major post offices and UNIQLO stores throughout Japan in October 2011.

With the service, customers can attach a free address sticker and stamp to a gift package of UNIQLO's functional Heattech winter underwear together with a message before sending it. This is the first time that post offices sold clothing items.

The sender can deliver a heartfelt message expressing gratitude for the year to family and friends living far away and the hope that they stay warm and comfortable during times of electricity conservation. The gift thus warms both the heart and body of someone dear.

■ Sales of *Kit Mail* to Deliver Hand-written Messages for Students Preparing for Entrance Exams

Japan Post sold *Kit Mail* as a jointly developed product with Nestlé Japan Ltd. in January 2012. With *Kit Mail*, people can mail a package of KitKat chocolate wafers with a ¥140 stamp to students about to take exams. KitKat, the pronunciation of which roughly resembles "*Kitto Katsu*" in Japanese (meaning a "surefire win") is regarded as a lucky charm. Senders can write an encouraging message on the package prior to sending it.

In addition to the KitKat snack, in which packages are red and white and these colors represent good luck in Japan, *Kit Mail* also includes a card on which recipients can write their hopes and goals and carry around with them. The title of the card also plays on

the word "*kitto*" to express the idea that the hopes and goals will "surely" be realized.



3. Social Contribution

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

Some initiatives are closely related to our postal operations. We develop and sell frame stamps that use photographs for the promotion of local events and tourist spots and use small-size commemorative postmarks featuring particular local events. Other initiatives are based on our strong ties with local communities. These include allowing elementary school students to visit post offices and gather information as part of their town exploration class (school students explore the area around their school with a focus on its features and the people working in it). (See pages 80-87 "Japan Post Group CSR")

TOPICS

Let's Support East Japan! East Japan Recovery Support Catalog

The "Let's Support East Japan! East Japan Recovery Support Catalog" was released to support the recovery of companies damaged in the Great East Japan Earthquake. Customers could order 19 different products from companies in the six prefectures of the Tohoku region as well as Ibaraki Prefecture at any post office nationwide between May 9 and June 30, 2011.

Let's Enjoy Regional Specialties and Support East Japan Catalog

The "Let's Enjoy Regional Specialties and Support East Japan Catalog" was released with the idea of revitalizing the regional economy. Customers could order 26 different products from companies in the six prefectures of the Tohoku region as well as Chiba, Ibaraki and Nagano prefectures at any post office nationwide between September 15 and October 31, 2011.

2. Products and Services

(As of April 1, 2012)

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

1. Products and Services of the Three Core Businesses

(1) Postal Counter Operations

We handle postal and Yu-Pack items and sell postage stamps and postcards as well as revenue stamps. For details, please refer to pages 32-37.

(2) Savings Counter Operations

We handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts. For details, please refer to pages 46-50.

(3) Insurance Counter Operations

We solicit life insurance and handle premium payments. For details, please refer to pages 56-60.

(2) Post Office Referrals Comprehensive Lifestyle Referral Services

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

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



2. Providing Services that Support People's Lives

(1) Working with Local Governments

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

(As of March 31, 2012)

Services	Prefectures	Municipalities	Post offices
1. Office certification documents (Issuance of copies of resident card, etc.)	0	166	635
2. Other services	1	108	3,486
(1) Sales	0	99	1,403
a. Multiple-ride bus tickets	0	23	235
b. Trash collection certificates	0	36	841
c. Sewage treatment certificates	0	6	25
d. Tickets to events (Tickets for events sponsored by local governments, etc.)	0	18	184
e. Merchandise certificates	0	0	0
f. Trash collection bags	0	53	353
(2) Distribution services (Issuance of bus tickets, etc.)	0	10	1,412
(3) Receipt of application forms (Receipt of application forms for using public facilities, etc.)	1	3	1,235
Total	1	253	4,056

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

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

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



3. Responding to Customers' Various Needs

(1) Third-Sector Insurance Products

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

(Products Handled)

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

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

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

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

(2) Variable Annuity Sales

In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 247 post offices.

(Products Handled)

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

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

In order to respond to a variety of needs of executives, such as needs for retirement benefit-related measures, business insurance, business succession and inheritance countermeasures, we sell life insurance for companies (for management-level personnel) at 126 post offices.

(Products Handled)

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

* Sumitomo Life Insurance Company only underwrites level term insurance.



TOPICS

Examples of Improvements Based on Customer Feedback

We work to improve services based on feedback gathered from customers. We will continue to listen closely to what customers have to say to make further improvements going forward.

<Examples of improvements based on customer feedback in fiscal 2012>

<Customer feedback>

The other day, I wanted to use a Yu-Pack with refrigerated delivery service (so-called chilled Yu-Pack), but it wasn't available at the post office that I went to. It would be nice if I find out on your website which post offices provide this service.

Improvement

Customers can now see whether the service is available or not by checking the "Available services" column for each post office by going to "Search Post Offices and ATMs" on the website.



(4) Automobile Insurance

As a non-life insurance agency, we have been handling post office automobile insurance in cooperation with six non-life insurance companies at 701 post offices.

(Products Handled)

● Post Office Automobile Insurance

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

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



(5) Post Office Internet Shop

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

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



(6) Total Printing Service

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



(7) Frame Stamps

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



4. Promoting the Effective Use of Post Offices

(1) Product Sales Utilizing Space at Post Offices

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

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



Gotochi Form Card (Miyagi Prefecture)



Gotochi Form Card (Tokyo)

TOPICS

"Posties" – Characters for the Japan Post Group

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



(2) Advertising Business

We implement an advertising business by deploying extra space at post offices and using our nationwide network of post offices to place advertisements by companies and local governments at around 20,000 sites. Using post offices as a medium, we have a menu of options available for corporate publicity and promotions, including such activities as placing advertisers' posters and pamphlets in post office lobbies, distributing advertisers' sample products at service counters, holding events inside post offices and enabling advertising outside our post offices.

Applications to use the space for advertising are channeled through advertising agencies. As of March 31, 2012, the Company had designated 79 such agencies for this purpose.



Event held in Tokyo

(3) Collection of Used Ink Cartridges

We started the "ink cartridge *satogaeri* project" for collecting used ink cartridges with the cooperation of six printer manufacturers.

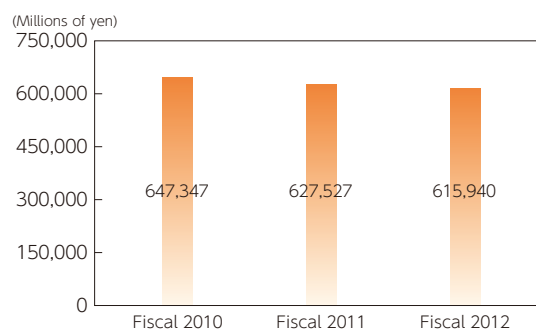
(Number of post offices with collection boxes as of March 31, 2012: 3,639)



3. Japan Post Network Business Performance

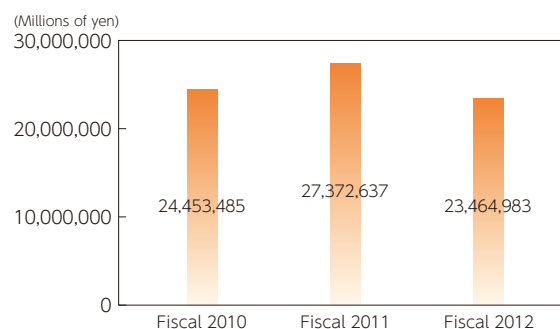
1 Postal Operating Revenues

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



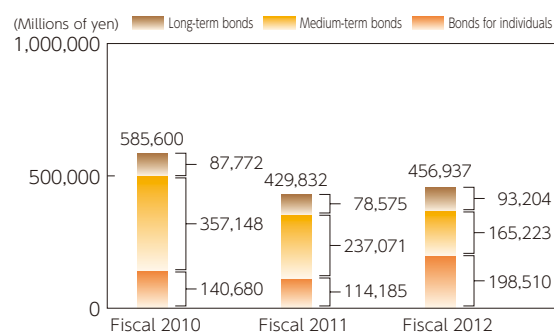
2 TEIGAKU and Time Deposits Handled

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



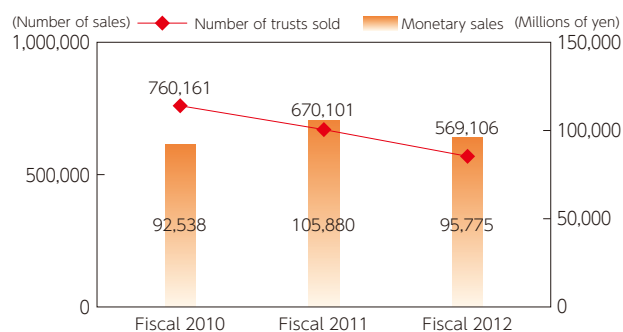
3 Sales of Japanese Government Bonds

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



4 Investment Trust Sales

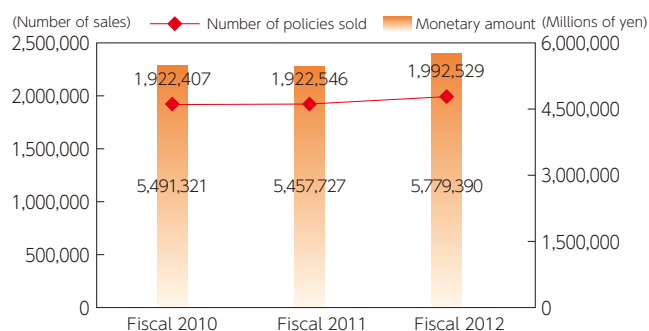
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post Network are as follows.



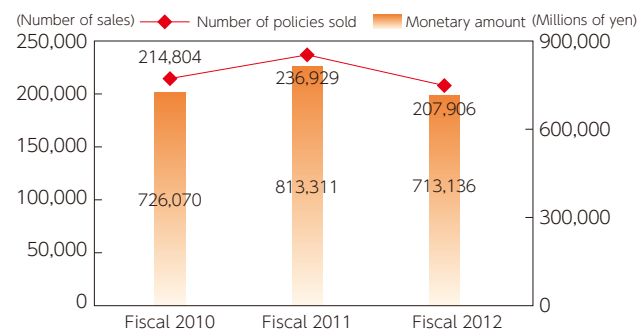
5 Life Insurance and Annuity Sales

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

Individual Insurance

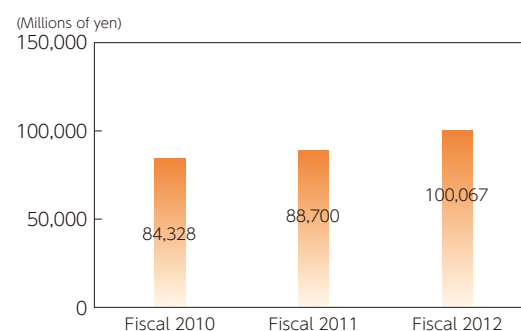


Individual Annuities



6 Merchandise Business

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



2. Operations of Japan Post Service



Shinichi Nabekura

President and CEO
Japan Post Service Co., Ltd.

Message from the Company



Review of Fiscal 2012

In reviewing fiscal 2012, let me first offer my thoughts and prayers for the persons who lost their lives in the Great East Japan Earthquake in March 2011 and express my heartfelt sympathy to the residents of the disaster-affected regions.

We made every effort to provide support for people in the affected areas following the disaster by delivering mail and Yu-Pack items to people living in evacuation shelters and those that had relocated to temporary housing establishments as well as by setting up post boxes for these establishments. At the same time, we exempted fees for cash registered mail containing disaster relief money and sold donation-added postage stamps to support those who suffered damage. We always received kind words of thanks from customers when we delivered mail to the evacuation shelters, which reaffirmed to us the importance of postage mail and the warmth that it can provide.

Japan Post Service Co., Ltd. will continue supporting local communities by providing reliable mail, Yu-Pack and other services as essential forms of communication and

logistics closely linked to people's daily lives. These services interconnect the disaster-affected areas and link them to other areas throughout Japan.

The environment surrounding Japan Post Service was harsh during the period. Mail volumes have been decreasing annually since the peak in fiscal 2002, particularly with the expanded use of Web-based invoices issued by companies in addition to the ongoing trend of cutbacks in communications and sales promotion expenses by corporate customers in fiscal 2012. Although we believe the market for small parcel deliveries has ongoing growth potential, competition has been intensifying particularly as companies improve services to meet customer needs.

At the end of fiscal 2011, Japan Post Service recorded a net operating loss of ¥103.4 billion, which was a significant decline from the previous fiscal year, owing primarily to lower revenues in line with a decrease in mail volumes coupled with an increase in expenses accompanying the business transfer from JP Express Co., Ltd. (JPEx) in July 2010. Despite these circumstances, in fiscal 2012 the entire company worked to implement measures aimed at achieving

a profitable balance in our revenues and expenses. These efforts included comprehensively reducing operational costs through the appropriate allocation of personnel based on amount of business as well as a review of collection and delivery consignment contracts while also strengthening sales to small- and medium-size customers. As a result, we improved net operating loss by ¥81.1 billion from ¥103.4 billion in the previous fiscal year to ¥22.3 billion at the end of fiscal 2012.

Issues for the Future

The business environment surrounding Japan Post Service is expected to remain severe owing primarily to continued fierce competition in the logistics industry in addition to a projected decline in mail volumes going forward. Against this backdrop, in the short term we will continue with measures introduced in fiscal 2012 to improve the bottom line in order to secure profitability on a single-year basis in fiscal 2013 as well as improve our system of management controls, which includes the management of revenues and expenses at the branch level, and enhance our education and training aimed at developing human resources.

Over the medium to long term, we will work to develop foundations that enable us to maintain sound management for the company as a whole. To achieve this, our top priority will be to address the structural issue of lower earnings due to declining mail volumes. We will also promote centralized

processing and mechanization of mail sorting and other jobs, develop information system foundations and examine the possibility of introducing a compensation and personnel system that rewards employees for their concerted efforts.

To diversify and fortify our earnings structure, we will further develop our logistics business to ensure that it effectively offers third-party logistics (3PL) services coupled with logistics consulting services. We will also seek to meet diverse customer needs through the provision of services that satisfy the mail-order market for overseas, which is continuing to grow.

For Japan Post Service to progressively improve the company's bottom line, we believe that, above all, ensuring the trust of our customers is essential. We will continue strengthening initiatives to heighten awareness of compliance among employees based on the formulation and implementation of a compliance program aimed at eliminating cases of breaches of compliance such as accidents and criminal offenses. We will also further promote compliance by strengthening the management system at branches through monitoring.

The "Act for Partial Revision of the Postal Service Privatization Act and others" was enacted in April of this year. Under the revised act, Japan Post Service will merge with Japan Post Network Co., Ltd. and provide services at integrated post offices. We will work to further improve postal services so that customers feel the merits of the merger.

Your continued support is appreciated as we move forward to achieve these goals.

1. Overview of Operations

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

In addition to operating 1,090 branches and 2,524 collection and delivery centers, Japan Post Service has commissioned Japan Post Network to handle mail and sell postage stamps, postcards and revenue stamps at approximately 24,000 post offices throughout Japan. Besides providing 185,000 post boxes throughout the country, Japan Post Service has also commissioned the sale of various postage stamps and revenue stamps at approximately 144,000 locations in Japan.

Through this network, Japan Post Service delivers approximately 64 million pieces of mail daily to around 31 million homes and businesses throughout Japan (fiscal 2011 figures). In fiscal 2012, Japan Post Service delivered around 19,110 million postal items, around 380 million Yu-Pack items and around 2,870 million Yu-Mail items.

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

1. Postal and Domestic Distribution Business

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

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

*EMS: Express Mail Service

■ Initiatives to Improve Earnings

We faced difficult business conditions in fiscal 2011, as we posted a net operating loss of ¥103.4 billion caused by a drop in earnings resulting from declining mail volumes and a rise in expenses associated with the integration of the parcel delivery service of JPEX in July 2010.

In fiscal 2012, although conditions remained challenging in terms of the continued downward tendency in mail volumes, we saw a greater increase in the volume of Yu-Pack parcels than anticipated. This, coupled with our efforts to expand earnings by thoroughly reducing operational costs, allowed us to improve net operating loss by ¥81.1 billion to ¥22.3 billion.

With an eye to maintaining sound management, we will make company-wide efforts to further increase earnings. As specific goals, we aim to generate net operating income from the entire postal and domestic distribution business in our fiscal 2013 full-

year results, while working to bring Yu-Pack service itself into the black on a single-year basis in fiscal 2016.

■ Implementation of "Pay-Later Post-In" Service

In August 2011, we started a "Pay-Later Post-In" service, for pay-later mail items, including standard-size mail, nonstandard-size mail* and Yu-Mail*. The conventional pay-later postal service requires customers to bring their mail to the postal counter. Under the new service, customers place their mail and labels in a free, special letter case lent by Japan Post Service and conveniently drop it in a nearby post box.

* This service is not available for certain types of nonstandard-size mail and Yu-Mail items.

■ Helping Customers Create Direct Mail (DM)

In September 2011, we started offering a range of services via the DM Factory page on the Japan Post Service website to assist corporate customers in preparing DM. Our DM Factory provides tools and resources for customers who wish to create DM but do not know how or those finding the task troublesome to easily design professional quality DM pieces and place orders for printing on demand. During the 2012 New Year's postcards season, we also accepted orders for creating original design New Year's postcards through the DM Factory.

■ Started Providing a Yu-Pack Service for Online Auctions

We started providing a Yu-Pack parcel service for online auction users. Users who send items sold through auction sites* by using our Yu-Pack service from post offices receive points that can be used on the corresponding website.

* Rakuten Auction, Inc. (from September 2011)
MOBAOKU (from January 2012)

We also started offering another discount and points giveaway service for auction users sending items from LAWSON convenience stores. If users print labels using Loppi terminals installed in about 9,000 Lawson stores nationwide, they will receive a ¥30 discount per Yu-Pack parcel and either Rakuten Super Points or MOBAOKU Points.

■ Started Yu-Pack Same-Day Delivery Service

In October 2011, we launched a same-day delivery service for Yu-Pack parcels in the Tokyo and Osaka metropolitan areas. This service is available for Yu-Pack parcels sent from branches of Japan Post Service in (1) certain areas within Tokyo's 23 wards, (2) certain areas in Tokyo other than 23 wards, and (3) certain areas in Osaka to addresses within 1) 23 wards in Tokyo, 2) Tokyo other than 23 wards (excluding islands and other areas) and 3) Osaka (excluding certain areas), respectively. A similar same-day delivery service has been provided by some branches when they accept Yu-Pack parcels sent to destinations within their respective delivery areas, or by branches serving as a logistics base in each region when they accept Yu-Pack parcels destined for addresses in delivery areas of branches located within that region. This service is now available at all branches nationwide.

■ Activities for 2012 New Year's Postcards

Under the main theme of "We deliver people's warm heart at the New Year," we once again sold a variety of New Year's postcards, including Disney character postcards. As for our Web-enabled services, we worked to enhance the contents of our special New Year's postcards website (yubin-nenga.jp) and opened a special page on Facebook, the world's largest social networking service. We also provided Yahoo! JAPAN *Nengajo*, mixi *Nengajo* and Webpo services, which enable users to send "real" New Year's postcards to their online, address-unknown friends and acquaintances.



© DISNEY. Based on the "Winnie the Pooh" works by A.A. Milne and E. H. Shepard.

■ Launched International e-Packet Service

In April 2012, we launched a service to apply a special rate, which is lower than normal fees, to small packets when customers use labels issued online to send these small packets by air as registered mail.

■ Initiatives for Expansion of the International Mail Order Market

In November 2011, eBay Japan and Japan Post Service reached an agreement to cooperate with each other in expanding the international e-commerce market. In April 2012, an agreement was also concluded between Rakuten, Inc. and Japan Post Service to provide mutual cooperation and support for the promotion of overseas business for retailers of Rakuten Ichiba, an online shopping mall, and a resulting expansion of overseas shipping volume.

More specifically, we intend to collaborate in increasing the use of our one-stop online shipping service for overseas destinations, which includes preparation of shipping labels, monitoring of delivery status and confirmation of shipping history, and expanding business opportunities in the field of international e-commerce.

2. International Logistics Business

In response to expanding needs for international logistics, we are promoting international logistics business with a strong focus on the air cargo sector. In cooperation with JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd., a subsidiary jointly established with Sankyu Inc. in July 2008, we are providing a wide variety of international logistics services ranging from small-lot to large-lot cargo to domestic and overseas corporate customers primarily in Japan, China and other countries in Asia.

3. Logistics Business

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

4. Social Contribution

Japan Post Service considers corporate social responsibility (CSR) to be a management issue of the highest priority and works to fulfill that responsibility as a company. (For details, please refer to "Japan Post Group CSR" on pages 80-87.)

TOPICS

Making New Year's Postcard Charitable Donations

We distributed ¥784.67 million raised from New Year's postcard donations to 331 welfare and social activity organizations, including 33 organizations providing support to disaster victims of the Great East Japan Earthquake and 17 organizations engaged in carbon offset efforts. These funds are used for the enhancement of social welfare, promotion of the sound development of young people, disaster relief and prevention, and protection of the environment.

2. Products and Services

1. Stamps and Postcards

(As of the end of May 2012)

Products	Description/Features
Ordinary stamps	Standard lineup of postage stamps.
Special stamps	Stamps issued for a special purpose, such as to commemorate an important national event in Japan or a significant campaign in Japan or another country. We also provide greeting postage stamps with designs suitable for use with greeting cards for celebrations and various other occasions.
Furusato stamps	Stamps issued to stimulate interest in specific regions of Japan using regional themes.
Donation-added New Year's postage stamps	These lottery stamps allow individuals who use their own New Year's postcards and letters to participate in the New Year's postcard lottery. There are two types: one for postcards and one for letters.
Frame stamps	An original postage stamp that is designed to look like a photo frame, with its inner blank space available for printing photographs, etc. Frame stamps can be ordered via the Internet or at a post office.
Standard postcards	In addition to the postage mark featuring a house sparrow, other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
New Year's postcards (New Year's lottery postcards)	These postcards are available in a standard format and with a donation added. A service called <i>Nenga Town Plus</i> is also available to deliver no name specified New Year's postcards to all households and offices within a particular town neighborhood, where there is a delivery of New Year's postcards on January 1.
Summer greeting postcards (Kamo-Mail)	Kamo-Mail is lottery postcards for summer greetings. A service called <i>Kamome Town Plus</i> is also available to deliver no name specified Kamo-Mail postcards, which are accepted during a specified period, to all households and offices within a particular town neighborhood.
e-sense cards	Sold for ¥50, these stylish postcards incorporate an illustration or picture provided by a company using the back of the card as advertising space.
Echo-postcards	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5 to ¥45.
Inkjet printing standard postcards	Postcards with a special coating that allows the tiny dots of inkjet printers to dry quickly, permitting the postcards to be used for printing photographs, pictures and other colorful images.
Reply-paid postcards	Two attached postcards folded in half, one to be used by the sender and the other by the recipient to send a reply back to the sender. We also offer unfolded reply-paid postcards. The absence of a fold allows these postcards to be easily used with a printer or copier. These postcards are useful for printing large numbers of invitations to parties, sales events, exhibitions and other events.
Four-surface printing postcards	With four postcards in a single sheet, these postcards are useful for situations where a large number of postcards need to be printed.
Postcards with indentations	These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can tell the front and back and top and bottom of a postcard.
Picture postcards	Picture postcards featuring famous scenery and other sights from all over Japan.
International postcards	These postcards are used for international air mail and have the same rate (¥70) for every foreign country.
Mini-letters (Postal envelopes)	These sheets, in which writing space is three times the size of a postcard, are a combined letter and an envelope. Postage is printed on the front just as with a postcard. Items can be enclosed up to the limit of 25 g.
Letter Pack Plus*1 (Specified postage-paid envelope, with recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items can be sent nationwide for a flat rate (¥500). As the package is hand delivered to the recipient in exchange of his or her signature or seal, it offers a secure way to send items by post. A tracking service is available to check delivery status.
Letter Pack Light*2 (Specified postage-paid envelope, without recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items that do not exceed 3 cm in depth can be sent nationwide for a flat rate (¥350). This item is placed in the recipient's mail box and is therefore useful for persons who are not often at home to receive mail items. A tracking service is available to check delivery status.
Aerogrammes	The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 g. Space is three times the size of a postcard and postage is printed on the front. Air-mail postage is cheaper (¥90 for anywhere in the world).
Stamp booklets	Stamp booklets have a cover and contain several stamps or several dozen stamps, with an accompanying explanation of each stamp.

*1: Formerly called Letter Pack 500 *2: Formerly called Letter Pack 350



Special stamps and furusato stamps



Stamp booklets



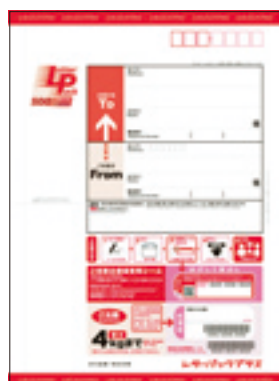
Frame stamps

2. Standard Mail Services

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

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

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



Letter Pack Plus



Letter Pack Light



Kamome Town Plus



Nenga Town Plus



Yu-Pack package (large box)



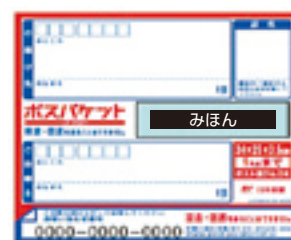
Yu-Pack package (small box)



Yu-Pack package (large pouch)






Yu-Pack package (small pouch)



Pos Packet

4. Major Supplementary Services

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

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

5. Other Services

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

6. International Mail

Services	Description/Features
EMS (Express Mail Service)	Letters and parcels are given the highest priority from the time of receipt through delivery. Status of delivery can be confirmed. (Note)
EMS delivery time guaranteed service (time certain service)	Provides a guarantee for delivery time for EMS mail sent from Tokyo or Osaka to five countries/regions (China, Hong Kong, Singapore, South Korea, Taiwan)
International parcels	Available in three types: air parcels where speed is the priority, surface (sea) parcels where low cost is the priority and economy air mail (SAL) small parcels that combine speed and low cost. (Note)
International letter-post mail	
International registered mail	A service to record acceptance and delivery of a mail item and to compensate for actual damage incurred when it gets damaged or lost, to the extent insured by the sender.
International e-Packet	A service to apply a special rate, which is lower than normal fees, to a small packet when customers use labels issued online to send these parcels by air as registered mail.
International insured mail	A service to record acceptance and delivery. If the item is damaged or does not reach its destination, the sender or the addressee will be reimbursed for the actual loss based on the amount submitted when the item was sent.
Letters	A frequently-used service to deliver letters to overseas addresses. Letters are divided into two categories: standard-size mail having specific weights and sizes and other nonstandard-size mail. This service is available to send letters or documents weighing up to 2 kg by air mail or surface mail. "Letters" include aerogrammes and greeting cards.
Postcards	A service to deliver postcards worldwide at a flat rate of ¥60 for surface mail and ¥70 for air mail.
Printed matter	A low-cost international mail service for periodicals, catalogs, direct marketing materials, business documents and other printed materials. Can be sent as air mail, surface mail or economy air mail (SAL).
Small packet	A service for sending parcels up to 2 kg to overseas destinations. Less expensive than EMS or international small parcels. Can be sent as air mail, surface mail or economy air mail (SAL).
D-mail, P-mail	A special rate is available when a single sender mails a large quantity of pre-sorted items at once at the specified post office (300 or more for printed matters and 50 or more for small packets).

Note: Tracking availability, maximum size and weights depend on each country.



EMS envelopes



Shipping labels for EMS (Merchandise)



Registered mail label



International e-Packet label

7. Logistics Services

Our logistics services offer a total logistics solution comprised of a consulting service for corporate logistics^{*1}, information processing^{*2}, transportation, storage, freight handling^{*3}, distribution processing^{*4} and packaging.

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

^{*2} We provide information systems for areas of logistics as such warehouse management and transport management.

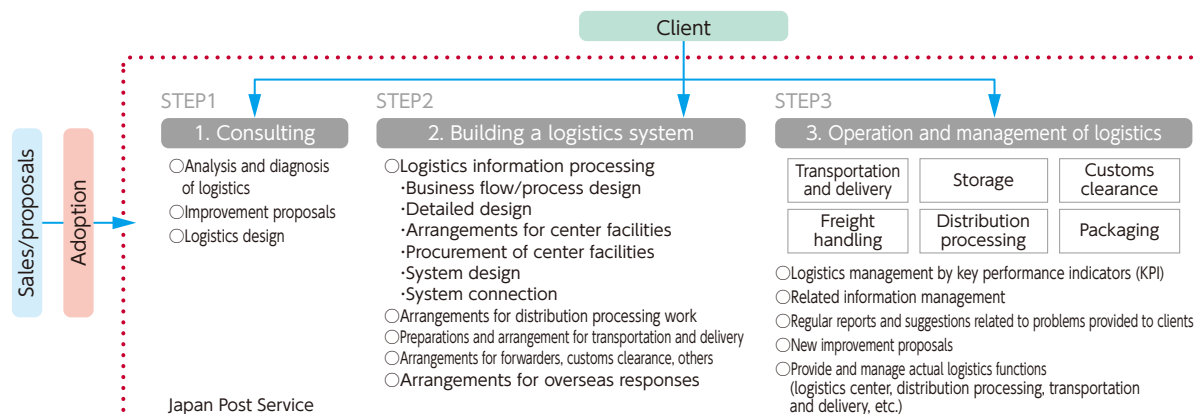
^{*3} We load and unload, transport, stow, discharge, sort and organize freight during the logistics process.

^{*4} We handle such simple processing and assembly tasks as bagging, packaging, attaching labels, performing inspections and attaching price tags during the product distribution process.

Logistics business services (operations)

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

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



3. Japan Post Service Business Performance

1 Consigned Volume of Mail in Fiscal 2012

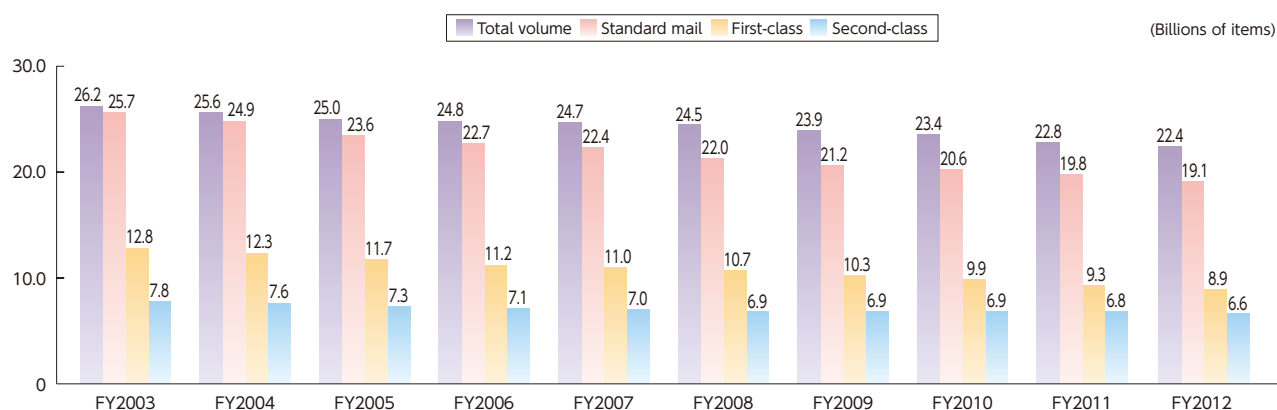
(Unit: 1,000 items, %)

Category	Fiscal 2010		Fiscal 2011		Fiscal 2012	
	Volume	Year-on-year change	Volume	Year-on-year change	Volume	Year-on-year change
Total	23,387,415	(2.3)	22,780,497	(2.6)	22,363,354	(1.8)
Mail	20,582,749	(3.0)	19,812,099	(3.7)	19,107,908	(3.6)
Domestic	20,521,443	(3.0)	19,757,937	(3.7)	19,058,414	(3.5)
Standard mail	20,054,205	(2.6)	19,299,629	(3.8)	18,598,039	(3.6)
First-class	9,915,441	(4.0)	9,319,093	(6.0)	8,912,926	(4.4)
Second-class	6,851,784	(0.2)	6,796,473	(0.8)	6,647,687	(2.2)
Third-class	346,552	(22.9)	297,611	(14.1)	274,843	(7.7)
Fourth-class	24,930	(3.3)	24,016	(3.7)	23,559	(1.9)
New Year's postcards	2,856,016	(1.5)	2,812,114	(1.5)	2,677,489	(4.8)
Election mail	59,481	422.1	50,321	(15.4)	61,534	22.3
Special mail	467,238	(18.2)	458,309	(1.9)	460,376	0.5
International (dispatched)	61,306	(11.5)	54,162	(11.7)	49,493	(8.6)
Standard mail	50,543	(12.6)	43,885	(13.2)	39,627	(9.7)
Parcels	1,531	(2.3)	1,402	(8.4)	1,297	(7.5)
EMS	9,233	(6.2)	8,874	(3.9)	8,569	(3.4)
Parcels	2,804,666	3.8	2,968,398	5.8	3,255,446	9.7
Yu-Pack	233,008	(5.8)	343,316	47.3	382,586	11.4
Yu-Mail	2,540,631	4.8	2,621,576	3.2	2,872,148	9.6
EXPACK	31,026	4.7	3,506	(88.7)	712	(79.7)

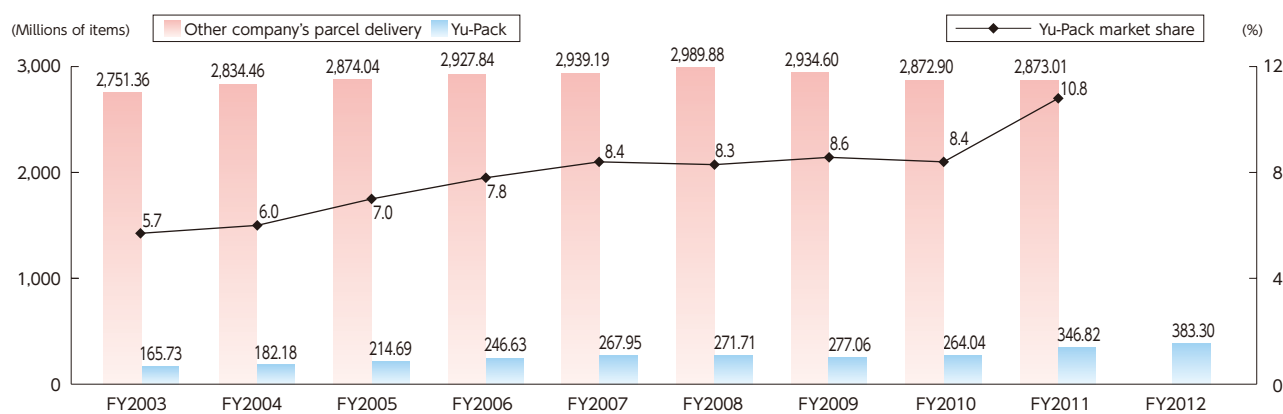
Notes: 1. Sums of individual items may not match totals due to rounding.

2. EXPACK service was discontinued at the end of March 2010.

2 Total Consigned Volume of Mail

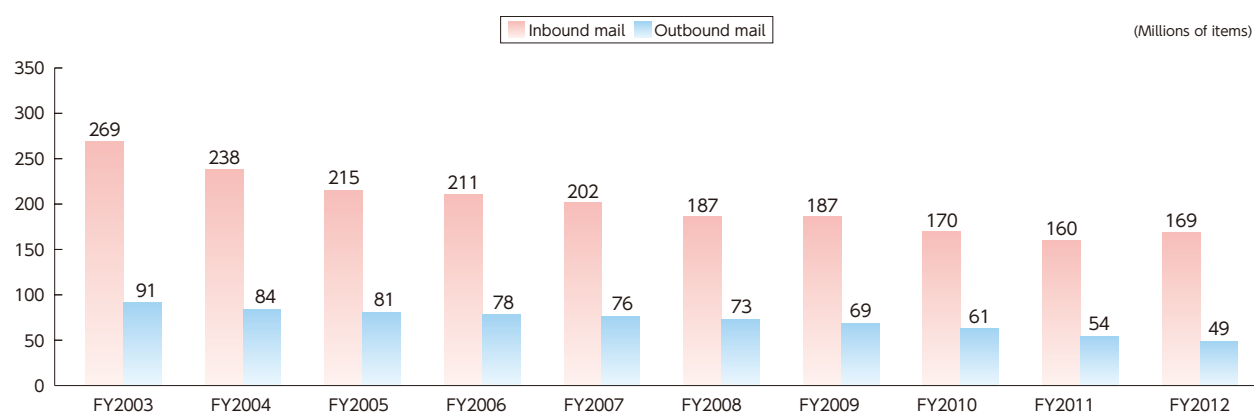


3 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share



Notes: 1. Fiscal 2012 other companies' parcel delivery volume has not yet been announced (as of June 30, 2012).
2. The number of Yu-Pack parcels includes EXPACK parcels.

4 Volume of International Mail



5 Daily Mail Delivery Volume and Points

	Fiscal 2009	Fiscal 2011
Daily mail delivery volume	About 68 million items	About 64 million items
Daily delivery points	About 32 million points	About 31 million points

Note: No survey for fiscal 2010 and 2012 have been implemented.

6 Postal Service Quality Survey (Days to Arrival)

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

All branch offices display a Postal Delivery Time Table (Service

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

■ Nationwide Achievement Rate of Average Days to Delivery

	Fiscal 2010	Year-on-year change	Fiscal 2011	Year-on-year change	Fiscal 2012	Year-on-year change
Nationwide average	98.5%	0.2%	98.5%	0.0%	98.6%	0.1%
For mail within the same prefecture	98.7%	0.1%	98.9%	0.2%	99.0%	0.1%
For mail to a neighboring prefecture	98.2%	0.4%	98.0%	(0.2%)	97.8%	(0.2%)
For mail to other prefectures	98.3%	0.2%	98.0%	(0.3%)	98.1%	0.1%

Note: The percentage of New Year's postcards accepted by December 25, 2011 and delivered on January 1, 2012 reached 99.8% as compared to the target figure of 99.5%.

7

Outsourced Operations

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

■ Documentary Stamp Sales

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

(Millions of yen)

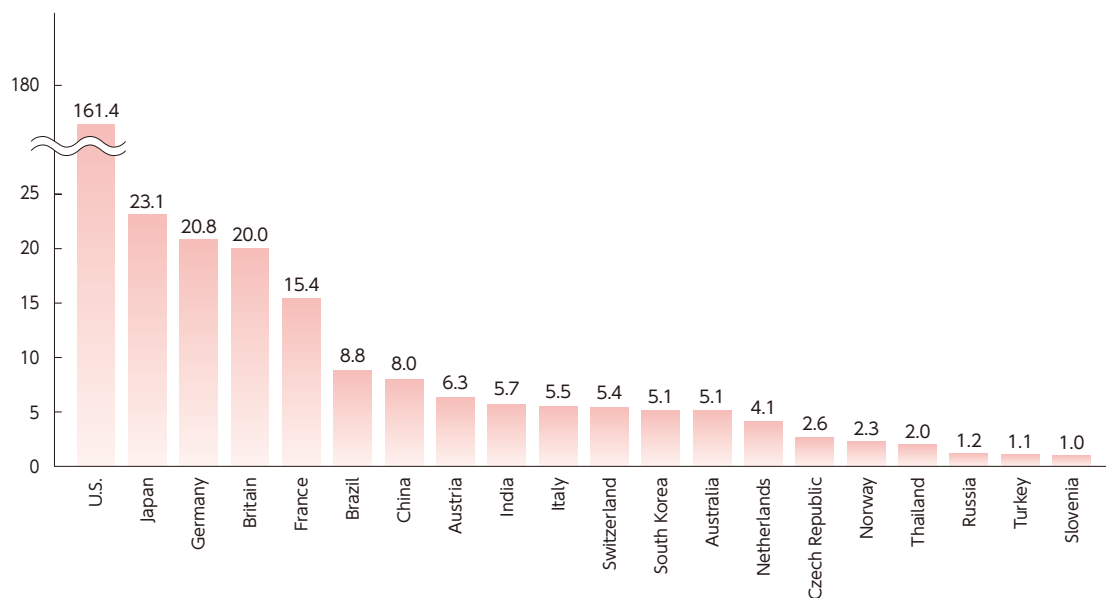
Category	Fiscal 2010	Fiscal 2011	Fiscal 2012
Revenue stamps	771,644	745,239	778,400
Automobile weight tax documentary stamps	996,348	789,683	781,412
Unemployment insurance documentary stamps	452	449	470
Health insurance documentary stamps	2,656	3,271	3,355
Patent documentary stamps	101,638	102,906	95,057
Registration documentary stamps	53,273	46,628	—
Total	1,926,011	1,688,176	1,658,694

Note: Figures shown are gross sales for each category of documentary stamp. These proceeds are submitted to the Japanese national government after deduction of handling fees (including consumption and other taxes). The handling fee is 5.25% for unemployment insurance and health insurance documentary stamps and 3.15% for all other documentary stamps (including consumption tax). Sale of registration documentary stamps for the Japanese national government was discontinued at the end of fiscal 2011.

Reference: Postal Services in Other Countries

1. Volume of Mail Received (Top 20 Countries in 2010)

(Billions of items)



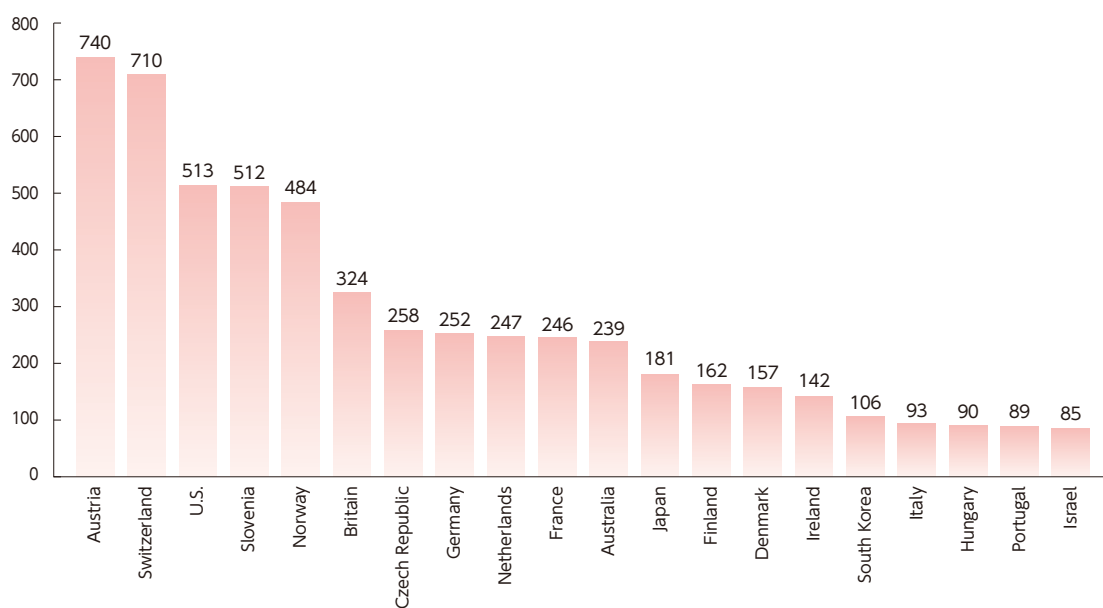
Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2010).

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

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

2. Annual Mail Volume Per Capita (Top 20 Countries in 2010)

(Items per person)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2010).

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

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

Reference: International Comparison of Postage Rates

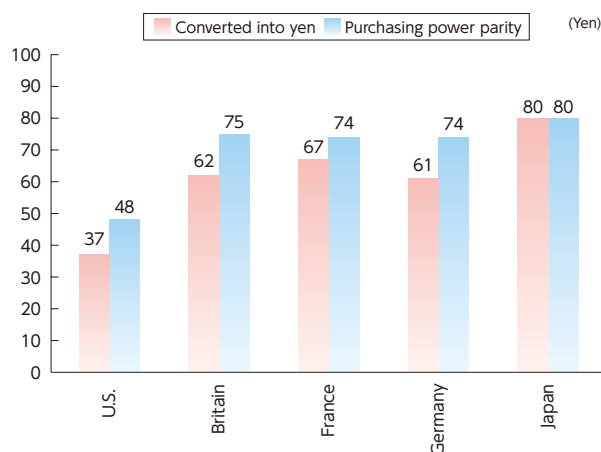
■ Comparison of Domestic Postage Rates

Domestic postage rates in Japan are generally at around the same level as major European countries (Britain, France, Germany) for letters. Postcard rates are lower in Japan.

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

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

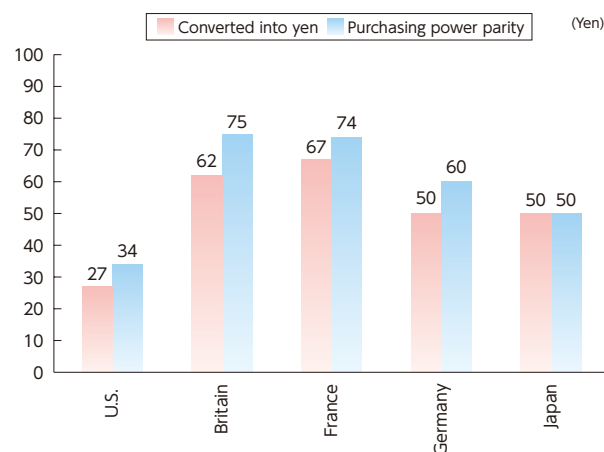
● Letter rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.45	£0.46	€0.60	€0.55	¥80
Yen equivalent	¥37	¥62	¥67	¥61	¥80
Purchasing power parity	¥48	¥75	¥74	¥74	¥80

Notes: 1. Only Japanese postage rates include consumption tax.
 2. Yen conversions use the exchange rate as of March 31, 2012 (Bank of Tokyo-Mitsubishi UFJ TTS rate).
 3. Purchasing power parities use exchange rates that make price levels equal in Japan and the other countries. Calculations are based on Purchasing Power Parities (2011 average OECD Main Economic Indicators).

● Postcard rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.32	£0.46	€0.60	€0.45	¥50
Yen equivalent	¥27	¥62	¥67	¥50	¥50
Purchasing power parity	¥34	¥75	¥74	¥60	¥50

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥83.19	¥106.88
£1 (Britain)	¥135.34	¥162.14
€1 (France)	¥111.30	¥123.28
€1 (Germany)	¥111.30	¥133.91

■ Comparison of International (Air) Postage Rates

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

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

	Letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	—	¥110	—	¥70
U.S. to Japan	\$1.05	¥87	\$1.05	¥87
Britain to Japan	£1.65	¥223	£0.76	¥103
France to Japan	€1.75	¥195	€0.89	¥99
Germany to Japan	€1.45	¥161	€0.75	¥83

Note: Yen conversions use the exchange rate as of March 31, 2012 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

3. Operations of Japan Post Bank



Shigeo Kawa

Director, Chairman
Japan Post Bank Co., Ltd.

Yoshiyuki Izawa

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

Message from the Company



Review of Fiscal 2012

It is my pleasure to address all stakeholders in this message. We will continue to further fortify our core business foundation and work solidly to provide even better products and services for our customers, with the aim of being *“the most accessible and trustworthy Bank in Japan.”*

During the past fiscal year, we aspired to further strengthen and underpin our business foundation, focusing on three themes within our management model: securing stable income; emphasizing the public service and region-focused nature of our operations; and improving the integrated capabilities of the Japan Post Group.

Specifically, under the rigorous policy “Compliance First,” we forged ahead with upgrading and expanding marketing and public relations strategies, implementing a sophisticated asset-liability management (ALM) strategy, bolstering management systems and enhancing internal control procedures.

First, in our effort to enhance our internal control procedures, we strengthened our compliance and systems

for protecting customer assets and information as well as raised the quality and promoted reforms of banking clerical operations. In addition, we bolstered the crisis management system based on lessons from the Great East Japan Earthquake.

Next, in our effort to enhance our marketing and public relations strategies, we made further efforts to support the activities of Japan Post Network Co., Ltd., our banking agency. Specifically, we upgraded and enlarged the functions of Regional Headquarters, which manage our branches while providing marketing support to banking agents and enhancing retail sales capabilities. We also installed new and additional ATMs primarily in train stations and shopping centers. Furthermore, we carried out sales campaigns targeting university students and young adults entering the workforce, with the aim of cultivating young customers.

In our efforts to augment our sophisticated ALM strategy, while accurately controlling interest rate risk we have endeavored to diversify business risk and revenue sources mainly by extending credit to Japanese local government through bonds and loans, both of which contribute to the revitalization of regional economies. Other measures

included investing in foreign bonds, participating in syndicated loans and investing in investment trusts.

Core measures to bolster our management systems include continuing to strengthen and expand human resource development and provide appropriate training programs according to staff function and employee skill level. In addition, we implemented “Business Process Re-engineering” (BPR) across the Bank, in an effort to enhance productivity and reduce costs. We also opened overseas representative offices in London and Hong Kong to strengthen the Bank’s research framework by gathering information on overseas economies, financial markets, financial systems and other topics, which aid management decision-making.

Further, Japan Post Bank Co., Ltd. has historically positioned corporate social responsibility (CSR) as one of management’s highest priorities. In relation, in order to support the people and areas affected by the Great East Japan Earthquake, we handled emergency deposit withdrawals and provided extra counter service hours as well as a service to send disaster relief funds free of charge.

As a result of these efforts, despite the difficult environment, which was characterized by the debt crisis in Europe, continued low interest rates and the yen’s appreciation, we recorded net income of ¥334.8 billion in fiscal 2012, which surpassed our initial target.

Issues for the Future

We have determined the fiscal year ending March 31, 2013 as another year for further strengthening our business base and will implement the following strategies under the rigorous policy “Compliance First” by leveraging our

nationwide post office network.

To further enhance internal control systems, we will continue to fortify our compliance management and safeguard customers’ asset and personal information. In addition, the Group-wide crisis management system will be refined in partnership with Japan Post Group companies.

On the marketing front, we will take steps to increase deposits and enhance the profit base of each product, while striving to develop preparations for future growth. We will endeavor to strengthen the Japan Post Bank brand in addition to enhancing retail sales capabilities, upgrading and enlarging the functions of Regional Headquarters, and enhancing marketing platforms and sales channel strategies.

In terms of investment, we will work positively to secure more stable earnings and diversify the asset portfolio by broadening investment fields based on formulated control of risk by further sophistication of our ALM system. We will also strengthen our risk control and credit screening function.

Further, we will develop our human resources by enhancing training programs based on staff function and employee skill level as well as further developing on-the-job training (OJT). We will also implement a Bank-wide BPR plan to further improve productivity. At the same time, we will strengthen the management system through the use of overseas representative offices to improve our research framework.

On April 27, 2012, the “Act for Partial Revision of the Postal Service Privatization Act and others” was enacted. As a member of the Japan Post Group, Japan Post Bank intends to address this development appropriately.

Going forward, the management and employees of the Japan Post Bank will vigorously continue working together and we ask for your continued support.

1. Overview of Operations

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

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

1. Products and Services

■ Basic Services

Post offices nationwide and Japan Post Bank branches offer basic financial products and services that include such liquid deposits in the form of ordinary deposits and savings deposits; fixed-term deposits such as *TEIGAKU* deposits and time deposits; and transfer and settlement services that include fund transfers and remittances. For ordinary, *TEIGAKU* and other deposits at Japan Post Bank, principal of up to ¥10 million and interest are protected per depositor (or the full amount of deposit for transfer deposits) under a deposit insurance scheme. At the end of March 2012, Japan Post Bank's total deposits from customers across Japan amounted to ¥175,635.3 billion, or ¥176,430.3 billion including accrued interest for the current period.

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

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

■ Enhancing Products and Services

● Started *Yucho Toshin* WEB Premier service

In May 2012, we launched a members-only Internet investment trust service, *Yucho Toshin* WEB Premier, available as a free or paid membership. Paid members are further divided into Gold members and Silver members with annual tax-inclusive fees of ¥5,040 and ¥1,260, respectively.

This service allows members to conduct transactions at their convenience via the Internet at home or other places. They can also purchase 11 new investment trust products exclusively made available to them in addition to the existing products handled by Japan Post Bank.



Promotional website

The service provides a variety of privileges to members depending on the type of membership, such as market information, tools for portfolio analysis and benefits offered by tie-up companies. Depending on the type of membership, we also offer a cashback service based on the amount of investment trusts held by each member (for paid members only).

● Enhanced our lineup of *Toshin* (Investment Trust) Direct Products

In August 2011, we started sales of 11 new products through *Toshin* Direct (an Internet transaction service). Our lineup now comprises 32 investment trust products, offering an increasingly extensive range of choice for customers.

● Started a Mail Order Service to Open Investment Trust Accounts

In October 2011, we initiated a mail order service for opening investment trust accounts. Customers having general accounts at Japan Post Bank can now open investment trust accounts by sending an application form by postal mail.

● Rolled Out *Yucho* Direct on Smartphones

In response to the recent, rapidly expanding use of smartphones, we started offering *Yucho* Direct (Internet banking service) on smartphones in September 2011. As of July 2012, services available on smartphones include checking bank account balances, verifying deposit and withdrawal transactions, making electronic transfers between Japan Post Bank accounts and transferring funds to another financial institution.



Yucho Direct page on smartphone

TOPICS

Nippon Zenkoku, Yucho Kazoku Series of TV Commercials

We are broadcasting a series of TV commercials across the country, *Nippon Zenkoku, Yucho Kazoku* ("Anywhere in Japan, we are *Yucho* family"), centered around the concept of creating a bond of happiness. Launched in August 2010, this commercial series features a humorous and heart-warming story of a young man, who has come to work in a big city, and his ties with people around him and his family back in his hometown. The story tells the significance of having a bond with someone and how we could help to build this bond of happiness through our services. These TV commercials show our extensive, convenient and friendly line of products and services for people of all generations, available at about 24,000 post offices and our branches throughout the country.

On the special *Yucho Kazoku* page on our website, a *Yucho* concierge provides guidance on our products and services by answering questions from members of the *Yucho* family. Users can also view the TV commercials and other information on this special page.
<http://www.yucho-kazoku.jp/>



Special *Yucho Kazoku* page (rendering)

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

We sponsor an FM radio program, *Yucho LETTER for LINKS*, broadcast on every Sunday from 15:00 to 15:30 by 38 member radio stations of the Japan FM Network across the country, including TOKYO FM.

With "Ties of the Heart" as its main theme, this heart-warming weekly program opens with a letter from the guest of the week and goes on to explore the origin of his or her ties of the heart. Those memories and encounters let us discover again the significance of being connected with someone and the strength of our words. The program also features "Link Makers" who are putting into practice the idea of building ties between people and between people and regional communities.

Through communication emphasizing the strength of words, we hope to bring an opportunity for listeners to recognize the warmth and strength of people, what families and friends mean and the importance of having a bond with local communities.

The official site provides text data of the previous broadcasts and stories related to ties sent from listeners around the country.

* Also available on podcast.
<http://www.tfm.co.jp/links/>



Yucho LETTER for LINKS official website (rendering)

2. Investment

Interest income, primarily from investment in Japanese government bonds, carries a large amount of weight in our current earnings structure. With a view to securing stable periodical income, we continued to promote dispersion of risk and diversification of revenue sources through the adoption of more diverse investment methods, while performing appropriate control of interest risk.

More specifically, we conducted adequate management of the duration of managed assets based on liabilities and other conditions and under a range of plausible interest scenarios, and strived to secure a stable interest spread between assets and liabilities, which is our principal source of revenue, by hedging certain interest rate risk with interest rate swaps.

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

3. Community Service

Japan Post Bank considers CSR to be a management issue of the highest priority. We are committed to fulfilling that responsibility while seeking to become "the most accessible and trustworthy Bank in Japan." (For details, please refer to "Japan Post Group CSR" on pages 80-87.)

TOPICS

Support for the JAPAN U-12 FOOTBALL CHAMPIONSHIP

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

This championship, sponsored by the Japan Football Association and other organizations, is the largest football championship in Japan for children in elementary school. In the ongoing 36th championship in 2012, more than 8,500 teams nationwide are competing for the No. 1 position in Japan.









At the 35th championship

2. Products and Services

1. Deposits

(As of July 1, 2012)

Product or service		Description	Time period/unit of deposit
Liquid deposits	Ordinary deposits 	These deposits are useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and annuities, and many other purposes.	Unlimited deposits and withdrawals ¥1 or more ¥1 unit
	Ordinary savings deposits 	These deposits provide more beneficial interest rates than ordinary deposits for balances of ¥100,000 or higher. (Interest rates may be the same as the one for ordinary deposits depending on the interest rate trends.)	Unlimited deposits and withdrawals ¥1 or more ¥1 unit
Fixed-term deposits	TEIGAKU deposits 	These deposits can be withdrawn at any time after six months and held for up to ten years, with interest compounded semiannually. The initial interest rate is applicable until withdrawal.	Deferment period: Six months (unlimited withdrawals after this period) ¥1,000 or more ¥1,000 unit (Eight types: Deposits of ¥1,000, ¥5,000, ¥10,000, ¥50,000, ¥100,000, ¥500,000, ¥1 million, and ¥3 million)
	Time deposits 	These deposits have maturities that can be selected based on short-term and medium-term requirements for funds and personal needs. The extension procedure is simplified if automatic extensions are selected, making this deposit convenient for people with busy schedules.	Deposit periods: One month, three months, six months, one year, two years, three years, four years, and five years (excluding one-month deposits kept in deposit combined accounts) ¥1,000 or more ¥1,000 unit
	Automatic-accumulation TEIGAKU deposits/time deposits 	For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a TEIGAKU deposit or time deposit. These automatic-accumulation deposits also allow funds to be deposited only in specifically designated months up to six times per year. Funds deposited in specifically designated months can also be combined with funds deposited regularly every month.	Accumulation period: Six years or less ¥1,000 or more ¥1,000 unit
	Time deposits with lump-sum payment at maturity 	For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a time deposit. At a pre-designated date (date for receiving a lump-sum payment at maturity), the accumulated deposits are transferred to an ordinary deposit. This type of deposit allows systematic accumulations in accordance with a person's future goals.	Accumulation period: From one year up to three years ¥1,000 or more ¥1,000 unit
	Asset accumulation TEIGAKU deposits	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for three years or longer to help working people build assets.	Duration: Three years or more ¥1,000 or more ¥1,000 unit
	Asset accumulation pension TEIGAKU deposits	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to help working people live comfortable lives in retirement. Interest is tax exempt and can be received from age 60 based on a pension-type payout method.	Duration: Five years or more ¥1,000 or more ¥1,000 unit
	Asset accumulation home TEIGAKU deposits	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to accumulate funds for building, purchasing, or renovating a home. Interest is tax exempt.	Duration: Five years or more ¥1,000 or more ¥1,000 unit
	Yucho pension time deposits	This one-year time deposit with preferential interest rates is designed for persons who automatically receive benefit payments from public pensions through Japan Post Bank, persons who will begin to automatically receive benefit payments from public pensions through Japan Post Bank, and foreign residents of Japan aged 65 or older who do not qualify for benefits under a public pension scheme. (Available period: April 2, 2012–March 29, 2013)	Deposit period: One year ¥1,000 or more ¥1,000 unit
	New welfare time deposits	This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor, and other similar public pensions. Up to ¥3 million can be deposited.	Deposit period: One year From ¥1,000 up to ¥3 million ¥1,000 unit

2. Domestic Remittances

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

3. International Remittances

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

4. Individual Loans

Product or service	Description
Loan intermediary service	Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans and card loans offered by Suruga Bank Ltd. based on an alliance with this bank. Customers can apply for these loans at select Japan Post Bank branches, by telephone or via the Internet.
Yume Butai home loan	This line features 15 types of home loans matched to the lifestyle of each individual, including persons operating sole proprietorships, working women and seniors thinking ahead to the retirement stage of their lives. These home loans can be used for building a new home, expanding and renovating an existing home, moving to a new home and refinancing.
Yume Koro free loan	This line of loans is available in two types: a "purpose" type and a "parental-devotion" type. The "purpose" type is available in amounts of up to ¥5 million, and is offered in seven plans that are matched to the particular life stage of each person, including education, automobile and renovation plans. The "parental-devotion" type is available in amounts of up to ¥10 million, which can be used such expenses as family members' nursing care.
Shitaku Card Loan	Borrowing and repayment can be made directly from ATMs with this card loan. No collateral is needed, and loans of up to ¥5 million are available (¥3 million for the first application).

5. Investment Products

Product or service	Description
Japanese government bonds (JGBs)	Sales of JGBs to be sold (two-, five- and ten-year maturities) and nonmarketable JGBs for individual investors (three- and five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds *Since December 2011, JGBs for individual investors have been sold as "Reconstruction Bonds for Retail Investors." We also started handling "Reconstruction Supporters' Bonds for Retail Investors" in March 2012.
Investment trusts	Sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions
Variable annuities	Intermediary services for sales of insurance products such as variable annuities

■ Customer Seminars to Assist in Asset Accumulation

In addition to holding seminars on investment trusts and variable annuities, including such topics as the investment environment, investment awareness and investment reporting, we offer a variety of seminars such as large-scale sessions with outside economic analysts, certified social insurance labor consultants and other experts and hands-on seminars utilizing portfolio games in order to provide useful information for asset accumulation and asset management by customers.

Customer seminars, which are held at Japan Post Bank branches nationwide, provide a valuable opportunity to listen to explanations from financial experts, and they are consistently attended by large customer audiences.

For more information about upcoming seminars, visit the Japan Post Bank website.



A customer seminar

6. Credit and Debit Cards

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



JP BANK
VISA Card



JP BANK
MasterCard



JP BANK
JCB Card



JP BANK
JCB Card
EXTAGE

7. Internet Banking Services

Product or service	Description
Yucho Direct	This service allows customers to use a PC, smartphone, mobile phone, telephone or facsimile machine to make deposits to <i>TEIGAKU</i> deposits and time deposits used as collateral, initiate electronic transfers (between Japan Post Bank accounts), transfer funds to another financial institution and verify account deposit and withdrawal transactions.
Yucho Pay-Easy Service	This service enables taxes and various types of fees to be paid through ATMs and <i>Yucho Direct</i> (PCs and mobile phones). The service also immediately reports data concerning completed payments to the recipient financial institution.
Toshin (investment trust) Direct	We sell investment trusts via the Internet (PCs).
Yucho Toshin WEB Premier	A members-only Internet investment trust service, offering new, member exclusive investment products in addition to the existing investment trust products handled by Japan Post Bank. Various exclusive services for members are also available.



Yucho Direct (PCs)



Yucho Direct
(Smartphones)



Yucho Direct
(Mobile phones)



Toshin Direct
(Providing information for investment trusts)

8. Other Services

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

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

9. Services Available in Braille

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

3. Japan Post Bank Business Performance

1 Key Financial Indicators

	(Millions of yen)		
	Fiscal 2010	Fiscal 2011	Fiscal 2012
Revenue	2,207,942	2,205,344	2,234,596
Operating profit (before provision for general reserve for possible loan losses)	489,157	508,753	495,470
Net operating profit	489,032	508,362	495,470
Net ordinary income	494,252	526,550	576,215
Net income	296,758	316,329	334,850
Common stock	3,500,000	3,500,000	3,500,000
Shares outstanding (thousand shares)	150,000	150,000	150,000
Net assets	8,839,547	9,093,634	9,818,162
Total assets	194,678,352	193,443,350	195,819,898
Deposits	175,797,715	174,653,220	175,635,370
Loans	4,022,547	4,238,772	4,134,547
Securities	178,230,687	175,026,411	175,953,292
Capital adequacy ratio (non-consolidated, domestic standard) (%)	91.62	74.82	68.39
Dividend payout ratio (%)	24.96	25.00	25.00
Employees (persons)	12,060	12,351	12,796

Notes:

1. The balance of deposits including accrued interest for fiscal 2012 is ¥176,430,388 million. (¥175,304,051 million for fiscal 2011 and ¥176,468,699 million for fiscal 2010).
2. The capital adequacy ratio (non-consolidated, domestic standard) is calculated in line with 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).
3. The number of employees excludes Japan Post Bank employees assigned to other companies by Japan Post Bank but includes employees assigned to Japan Post Bank by other companies. The figures do not include short-term contract and part-time employees.

2 Balances by Type of Deposit

1. At End of Fiscal Period

		(Millions of yen, %)					
		March 31, 2010		March 31, 2011		March 31, 2012	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	57,113,869	32.48	59,846,906	34.26	60,194,830	34.27
	Transfer deposits	7,597,731	4.32	8,714,719	4.98	9,474,107	5.39
	Ordinary deposits, etc.	49,087,540	27.92	50,709,948	29.03	50,309,540	28.64
	Savings deposits	428,597	0.24	422,238	0.24	411,182	0.23
	Fixed-term deposits	118,381,289	67.33	114,504,523	65.56	115,180,951	65.57
	Time deposits, etc.	27,475,685	15.62	22,005,855	12.59	18,426,695	10.49
	TEIGAKU deposits, etc.	90,891,424	51.70	92,494,319	52.95	96,750,382	55.08
	Other deposits	302,556	0.17	301,789	0.17	259,588	0.14
	Subtotal	175,797,715	100.00	174,653,220	100.00	175,635,370	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total		175,797,715	100.00	174,653,220	100.00	175,635,370	100.00
International operations	Total	—	—	—	—	—	—
Total		175,797,715	100.00	174,653,220	100.00	175,635,370	100.00
Deposits including accrued interest		176,468,699		175,304,051		176,430,388	

Notes:

1. Liquid deposits = Transfer deposits + Ordinary deposits, etc. + Savings deposits Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)
2. Fixed-term deposits = Time deposits, etc. + TEIGAKU deposits, etc. + Special deposits (Installment savings equivalent + Savings for housing installments + Education installment savings equivalent)
Time deposits etc. = Time deposits + Special deposits (Time savings equivalent)
TEIGAKU deposits, etc. = TEIGAKU deposits + Special deposits (TEIGAKU savings equivalent)
3. "Transfer deposits" correspond to current deposits, and "TEIGAKU deposits" correspond to "other deposits" under liabilities as defined by the Ordinance for Enforcement of the Banking Act.
4. Special deposits represent deposits received from Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.
5. Special deposits (corresponding to ordinary savings) are the portion of deposits received from Management Organization for Postal Savings and Postal Life Insurance corresponding to savings for time savings, TEIGAKU savings, installment savings, savings for housing, installments, and education installment savings that had reached full term and were passed on to the organization by Japan Post.
6. TEIGAKU deposits are a kind of 10-year-maturity time deposits 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.

2. Average Balances

		(Millions of yen, %)					
		Fiscal 2010		Fiscal 2011		Fiscal 2012	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	58,514,727	33.03	59,037,126	33.59	61,076,039	34.78
	Transfer deposits	7,480,475	4.22	8,252,069	4.69	9,131,582	5.20
	Ordinary deposits, etc.	50,589,235	28.56	50,360,275	28.66	51,525,050	29.34
	Savings deposits	445,016	0.25	424,781	0.24	419,406	0.23
	Fixed-term deposits	118,321,109	66.80	116,377,366	66.23	114,227,838	65.05
	Time deposits, etc.	23,381,719	13.20	24,842,977	14.13	20,309,899	11.56
	TEIGAKU deposits, etc.	94,912,487	53.58	91,527,146	52.08	93,913,747	53.48
	Other deposits	279,331	0.15	298,601	0.16	271,556	0.15
	Subtotal	177,115,167	100.00	175,713,095	100.00	175,575,435	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total		177,115,167	100.00	175,713,095	100.00	175,575,435	100.00
International operations	Total	—	—	—	—	—	—
Total		177,115,167	100.00	175,713,095	100.00	175,575,435	100.00
Deposits including accrued interest		177,722,433		176,364,573		176,285,970	

3 Loans by Category

1. At End of Fiscal Period

	(Millions of yen)		
	March 31, 2010	March 31, 2011	March 31, 2012
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,749,285	3,973,296	3,875,315
Overdrafts	238,741	222,961	221,724
Notes discounted	—	—	—
Subtotal	3,988,027	4,196,258	4,097,039
International operations			
Loans on notes	—	—	—
Loans on deeds	34,520	42,514	37,507
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	34,520	42,514	37,507
Total	4,022,547	4,238,772	4,134,547

2. Average Balances

	(Millions of yen)		
	Fiscal 2010	Fiscal 2011	Fiscal 2012
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,716,669	4,011,813	3,946,754
Overdrafts	233,365	224,029	216,790
Notes discounted	—	—	—
Subtotal	3,950,035	4,235,842	4,163,545
International operations			
Loans on notes	—	—	—
Loans on deeds	27,758	35,833	39,001
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	27,758	35,833	39,001
Total	3,977,793	4,271,676	4,202,546

4 Balance by Type of Securities

1. At End of Fiscal Period

	(Millions of yen)		
	March 31, 2010	March 31, 2011	March 31, 2012
Domestic operations			
Japanese government bonds	155,891,563	146,460,963	144,939,816
Japanese local government bonds	5,289,202	5,658,837	5,735,585
Commercial paper	364,959	102,999	180,989
Japanese corporate bonds	11,916,270	12,804,753	12,665,384
Stocks	900	900	900
Others	—	29,916	30,072
Subtotal	173,462,895	165,058,368	163,552,748
International operations			
Others	4,767,791	9,968,043	12,400,544
Foreign bonds	3,714,033	7,374,930	9,439,955
Foreign stocks	—	—	—
Subtotal	4,767,791	9,968,043	12,400,544
Total	178,230,687	175,026,411	175,953,292

2. Average Balances

	(Millions of yen)		
	Fiscal 2010	Fiscal 2011	Fiscal 2012
Domestic operations			
Japanese government bonds	155,881,773	148,115,419	142,753,072
Japanese local government bonds	5,761,489	5,505,745	5,651,021
Commercial paper	394,109	314,284	187,641
Japanese corporate bonds	10,914,713	12,542,962	12,655,076
Stocks	900	900	900
Others	—	15,040	29,999
Subtotal	172,952,986	166,494,352	161,277,711
International operations			
Others	2,927,861	7,631,071	10,851,851
Foreign bonds	2,411,658	5,745,404	8,124,318
Foreign stocks	—	—	—
Subtotal	2,927,861	7,631,071	10,851,851
Total	175,880,847	174,125,423	172,129,563

5 Over-the-Counter Sales of Japanese Government Bonds

	(Millions of yen)		
	Fiscal 2010	Fiscal 2011	Fiscal 2012
Long-term bonds	94,120	84,372	100,887
Medium-term bonds	382,707	253,713	174,859
Bonds for individuals	152,949	123,573	215,341
Total	629,777	461,658	491,089

6 Domestic Exchanges

	Fiscal 2010		Fiscal 2011		Fiscal 2012	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	9,994	10,777,302	13,937	12,917,217	17,200	14,534,436
Received	12,741	7,482,213	23,412	9,715,296	34,617	11,113,645

Note: All remittances are transferred through the Zengin Data Telecommunication System (Zengin System).

7 Transfer Deposits

(Millions of yen)

	Fiscal 2010		Fiscal 2011		Fiscal 2012	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,215,514	59,349,149	1,197,860	55,567,603	1,180,919	53,627,980
Transfers	93,288	52,372,599	97,914	52,221,009	103,055	87,563,532
Out-payment	130,615	56,384,340	125,914	50,583,116	124,372	47,825,119

8 Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

(Millions of yen)

	Fiscal 2010		Fiscal 2011		Fiscal 2012	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	3,772	59,714	2,384	44,200	2,027	40,064
Postal orders (TEIGAKU KOGAWASE)	19,647	10,381	17,367	9,369	16,155	8,811

9 Foreign Exchanges

(Millions of U.S. dollars)

Fiscal 2010		Fiscal 2011		Fiscal 2012	
Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
402	1,037	405	1,303	397	1,401

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

10 Investment Trust Sales (Contract Basis)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Number of contracts (thousands)	1,279	1,345	1,314
Sales value	133,885	172,714	177,421

(Millions of yen)

	March 31, 2010	March 31, 2011	March 31, 2012
Number of investment trust accounts (thousands)	577	604	615
Net assets	980,930	960,336	902,646

Note: Figures have been rounded off.

11 Other Businesses

Credit Cards

(Thousands)

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Cards issued	837	647	487

(Thousands)

	March 31, 2010	March 31, 2011	March 31, 2012
Cards issued (outstanding)	1,136	1,686	2,072

Mortgage Loans

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012
New credit extended (as intermediary)	74,045	61,865	31,504

(Millions of yen)

	March 31, 2010	March 31, 2011	March 31, 2012
New credit extended (as intermediary) (cumulative)	130,293	192,158	223,662

Japan Post Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

Variable Annuity Policies

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Number of policies	6,216	8,022	13,072
Value of policies	31,359	40,866	66,545

(Millions of yen)

	March 31, 2010	March 31, 2011	March 31, 2012
Number of policies (cumulative)	10,002	18,024	31,096
Value of policies (cumulative)	48,974	89,840	156,386

4. Operations of Japan Post Insurance



Izumi Yamashita

Director and Chairman
Japan Post Insurance Co., Ltd.

Masami Ishii

Director and President, CEO
Japan Post Insurance Co., Ltd.

Message from the Company



Review of Fiscal 2012

More than one year has passed since the Great East Japan Earthquake. After the disaster, Japan Post Insurance Co., Ltd. worked to collect and identify accurate information on the earthquake damage each day and swiftly implemented disaster relief measures in devastated areas.

We will make our utmost efforts to fulfill our responsibility as a life insurance company by ensuring payment of insurance claims and continue to focus on providing support to disaster-stricken areas through collaboration with the Japan Post Group companies.

Looking back at fiscal 2012, although the Japanese economy continued to show modest signs of a recovery driven by steady foreign demand primarily in emerging countries, uncertainties remained about the future of the economy due to the impact of such factors as the strong yen and a global economic downturn following the prolonged debt crisis in Europe.

In the life insurance industry, the rapid aging of the

population, declining birthrate and a rise in the number of single-person households in Japan continued to result in a further shift in customer needs away from death insurance products to endowment insurance products covering cancer and other medical treatments and nursing care.

Amid this business environment, Japan Post Insurance sustained a moderate recovery in sales of new policies, with both the insured amount and the number of new individual insurance policies achieving growth over the previous fiscal year and reaching the highest levels since the privatization. We attribute this favorable performance to the establishment of a sales promotion system in cooperation with Japan Post Network.

In asset management operations, although we continued to face such issues as low interest rates, the persistently strong yen and low stock prices due in part to the unstable economic conditions in Europe, Japan Post Insurance secured stable profits by undertaking asset management based on yen-denominated interest-bearing assets with a high affinity to insurance liabilities.

As a result, in fiscal 2012 Japan Post Insurance recorded

net ordinary income of ¥531.3 billion and net income of ¥67.7 billion (compared with net ordinary income of ¥422.2 billion and net income of ¥77.2 billion in fiscal 2011). We achieved an increase in net ordinary income, but revised corporate tax rates and other factors resulted in lower net income. Regarding the financial condition, we continue to maintain a strong financial base, as evidenced by a solvency margin ratio of 1,336.1% and real net assets of ¥8,083.6 billion.

Issues for the Future

In fiscal 2013, we will continue to focus on making adequate responses, including paying insurance benefits to customers who suffered damages in the Great East Japan Earthquake. Concurrently, we will undertake various initiatives focused on “four pillars” that we have designated as our highest priority management issues, namely: 1) further enhance customer service; 2) promote integrated sales and administrative operations with post offices; 3) achieve a sustainable improvement in corporate value; and 4) reinforce efforts to become an “excellent company” with a rewarding workplace.

Among these four initiatives, in our efforts to further enhance customer service, we are accelerating the reforms of our administrative operations and IT systems, which underpin our entire business process, to provide accurate, fast and highly convenient services to our customers. As part of these reforms, we have established a taskforce for promoting operational reforms jointly led by the chairman and president. We aim to fortify our structure to develop and manage IT systems by clearly defining roles and responsibilities of business departments and IT systems

departments, strengthen our benefit and other payments management structure, and reinforce our internal audit system by upgrading our ability to perform audits on system-related and payment-related operations. With particular emphasis on the management of benefit and other payments, we will work to introduce a new claim payment processing system to increase the use of IT systems, improve the quality of claim assessment through reinforcement of our manual assessment structure and promote the process standardization. In collaboration with Japan Post Insurance System Solutions Co., Ltd., our subsidiary in charge of IT systems-related operations, we will further strive to raise the levels of system development quality and productivity while promoting the acquisition and development of system engineers and in-house development of IT systems.

As for our internal control system, which forms the foundation of customer trust, we will continue to steadily implement the business improvement plan for preventing the recurrence of misconduct and ensure fair and appropriate sales activities and thoroughgoing management of customer information through employee education.

With all employees working in concert, Japan Post Insurance will continue to carry out its inherited social mission of “providing basic coverage for the people of Japan with insurance using simple procedures,” which was the original goal of Postal Life Insurance when it was created in 1916.

The “Act for Partial Revision of the Postal Service Privatization Act and others” was enacted on April 27, 2012. We will respond appropriately to the revision as a member of the Japan Post Group.

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

1. Overview of Operations

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

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

1. Provision of Insurance Products and Services

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

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

(1) Agents

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

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

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

(2) Directly Managed Sales Offices

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

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

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

2. Enhancing Products and Services

■ "Comprehensive and Heartfelt Services"

(Enhancement of After-Sales Services for Customers)

In October 2010, we rolled out "Comprehensive and Heartfelt Services" at post offices across the country.

We provide "Comprehensive and Heartfelt Services" at the postal counter and through home visits, verifying with policyholders the details of coverage provided by their respective insurance contracts and making sure that they have made every insurance claim to which they are entitled. We also explain the procedures for receiving benefits, merits of cashless transactions and availability of an option that allows a designated third party to request insurance benefits.

These activities have been well received by our customers, with many finding these services useful in identifying missed insurance claims and confirming the details of their insurance coverage.

Currently, we conduct home visits primarily to policyholders who will soon be receiving maturity benefits or other proceeds to be paid during their lifetime or policyholders who have completed the payment of premiums. We plan to extend the scope of our activities in the future and pay a visit at other opportunities to other policyholders.

We will continue to enhance collaboration with Japan Post Network and deliver "Comprehensive and Heartfelt Services" to bring even greater satisfaction to our customers.



TOPICS

"New Year Dream Kanpo Campaign 2012"

From January 10 through to March 2, 2012, post offices* and branches of Japan Post Insurance throughout the country hosted the "New Year Dream Kanpo Campaign 2012" to thank our customers. It also served to provide an opportunity for a broad range of customers to know about and purchase our products and services.

During the campaign, customers who asked for a case design [policy summary] for our insurance products (excluding annuities) were encouraged to participate in a drawing. A variety of prizes, including pairs of tickets for an exclusive performance by the Takarazuka Revue Company, coupons for accommodation for two persons at *Kanpo no Yado* inns and popular gourmet foods, were given to a total of 16,400 winners.

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



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

■ Introduction of a New Policy Processing System

As part of our efforts to enhance customer service, we started implementing a New Policy Processing System in October 2010, which transforms the administrative procedures for applying for insurance into a more "accurate, simple and speedy" process.

This new system has been deployed to post offices as well as branches and Service Centers of Japan Post Insurance. It serves to reform both the sales and business processes for better customer service by allowing efficient and effective sales activities at post offices and accurate and quick business processing at our Service Centers.

More specifically, the system enables us to develop easy-to-understand case designs [policy summaries], simplify the process of filling out an application and accelerate the signing of the policy.

Customers who have applied for insurance under the New Policy Processing System provided positive feedback, placing great value on its simplicity (only requiring customers' signature and seal) and a high level of confidence (quick delivery of insurance policies). In order to make the experience of applying for insurance more convenient and secure for customers, we will step up our efforts toward easier-to-understand services and more efficient business procedures.

3. Asset Management

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

4. Contributing to Local Communities

Being engaged in the life insurance business, which entails a strong community role, Japan Post Insurance actively seeks ways to contribute to society by popularizing and promoting the Radio Exercise program, providing support for the sound development of children and child care and promoting environmental conservation activities. Our efforts are centered on the three pillars of "actively contributing to people's health," "operating in a manner that is friendly to people" and "conducting business in an environment-friendly way."

(For details, please refer to "Japan Post Group CSR" on pages 80-87.)

■ Held the 50th Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

We held the 50th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") at 5:50 a.m. on July 31, 2011 at Hamanako Garden Park in Hamamatsu City, Shizuoka Prefecture, jointly with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation.

Despite the early morning time, about 5,000 people participated, including radio exercise fans from around Japan as well as local elementary school students and their parents. By promoting radio exercises, Japan Post Insurance will continue to support people's health, which is essential for leading a rich and fulfilling life.



2. Products and Services

1. Types of insurance

(As of April 1, 2012)

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

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

2. Principal Riders and Provisions

(As of April 1, 2012)

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

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

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



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

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

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

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

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

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

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

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

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

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

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

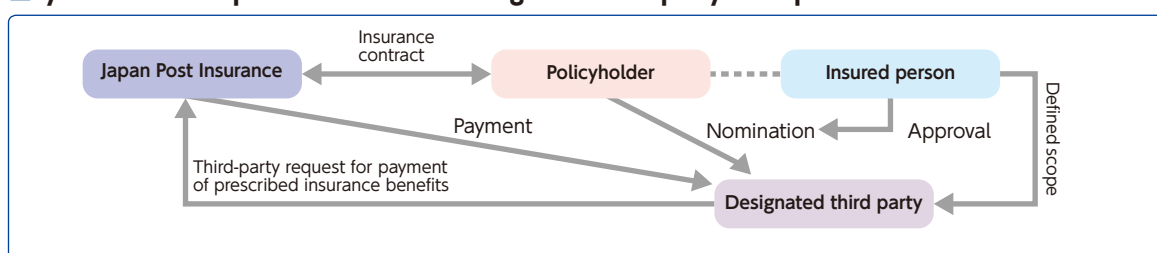
*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

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

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

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

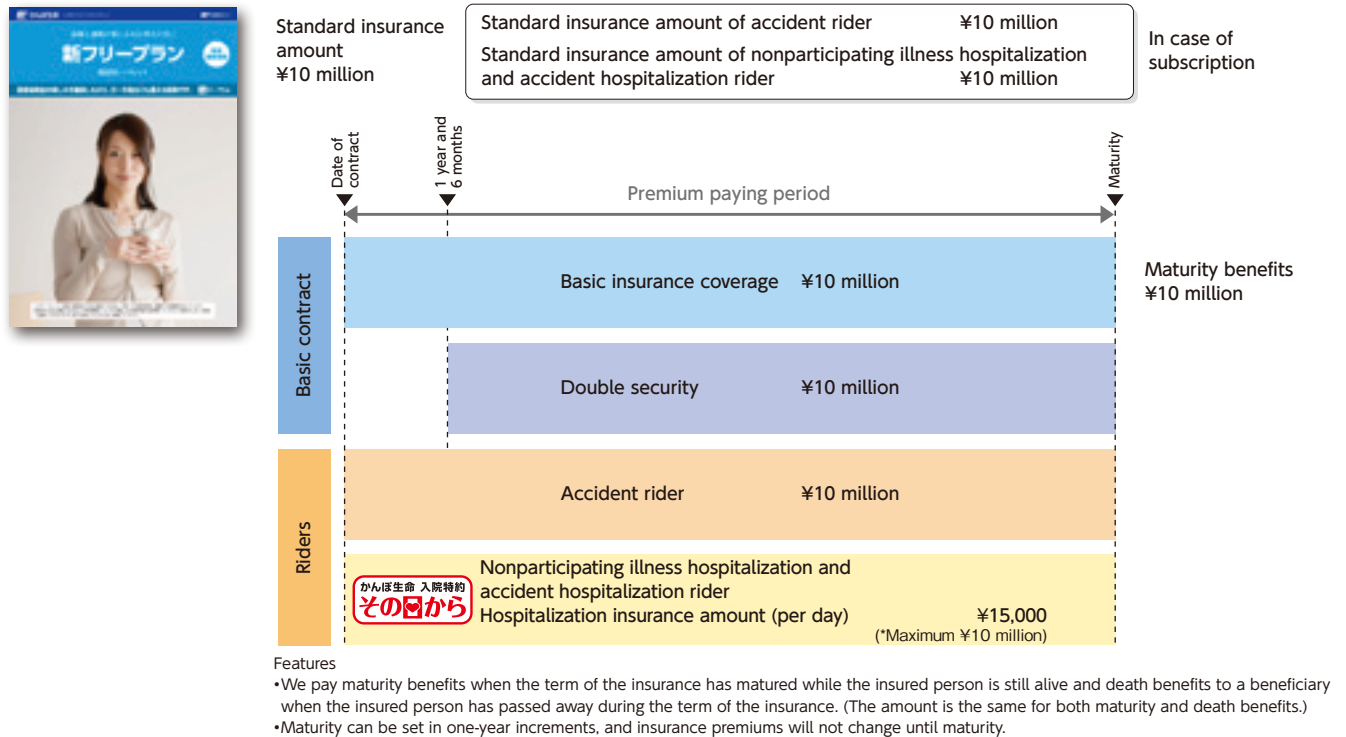
■System with an option that allows a designated third party to request insurance benefits



Insurance schemes

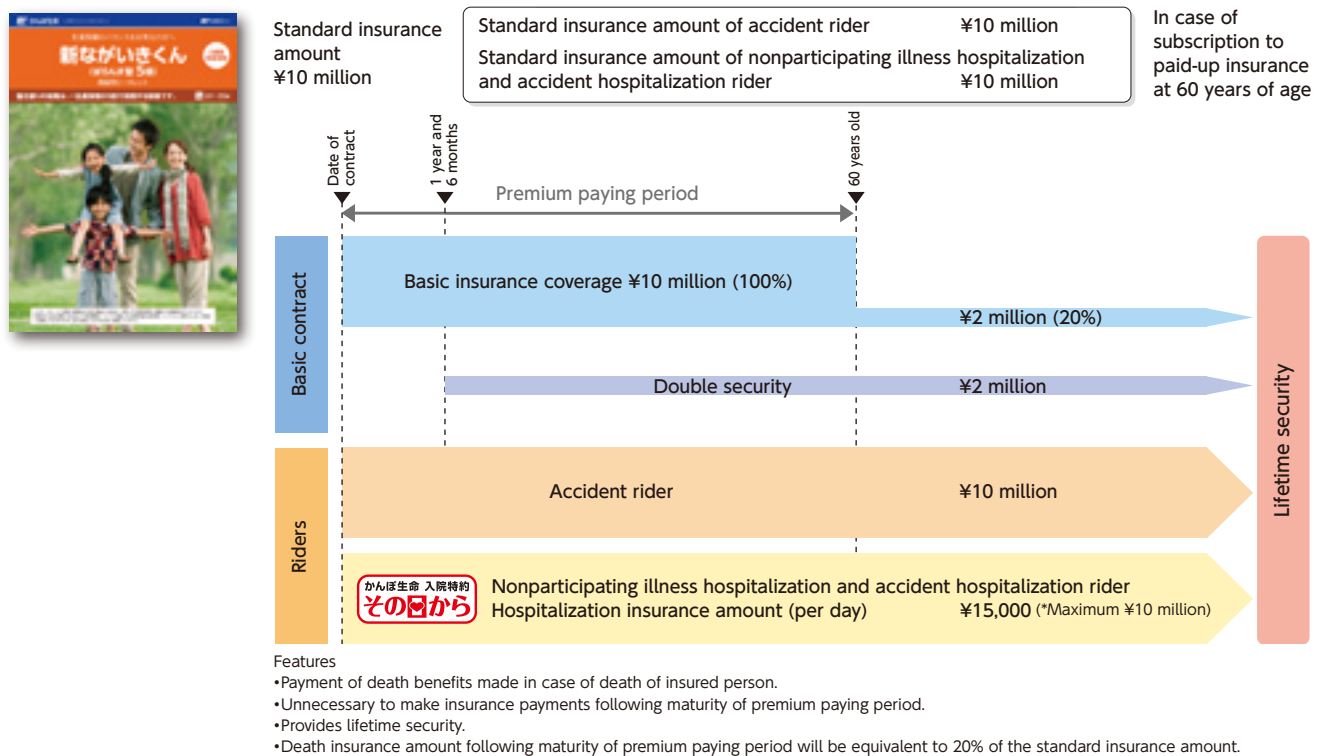
●Outline of endowment insurance schemes

Ordinary endowment insurance



●Outline of whole life insurance schemes

Whole life insurance with fivefold insurance coverage



3. Japan Post Insurance Business Performance

1 Sound Management Indicators

1. Core Profit

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

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

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

Japan Post Insurance's core profit for fiscal 2012 was ¥571.6 billion. The Company covered a negative spread amounting to ¥61.5 billion with the mortality and morbidity rate margin, which represents gains from a decline in the mortality rate and hospitalization rate, etc., and administrative expense margin, which are gains resulting from business efficiency improvements. In other words, core profit, which reflects the Company's three main profit sources, was positive.

The average assumed interest rate was 1.91%, while the interest rate yield was 1.83%, resulting in a difference of 0.07%. In recent years, this difference has been narrowing due to the maturation of contracts with high average assumed interest rates.

Core profit ¥571.6 billion

Core Profit Breakdown (Three Major Profit Sources)

(Billions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Core profit	¥ 427.1	¥ 484.4	¥ 571.6
Negative spread	(236.2)	(139.3)	(61.5)
Mortality and morbidity rate margin	324.7	357.2	381.9
Administrative expense margin	338.6	266.5	251.2

(Billions of yen)

	Fiscal 2010 (April 1, 2009 to March 31, 2010)	Fiscal 2011 (April 1, 2010 to March 31, 2011)	Fiscal 2012 (April 1, 2011 to March 31, 2012)
Core profit A	¥ 427.1	¥ 484.4	¥ 571.6
Capital gains	48.8	82.6	90.3
Gains on money held in trust	38.7	15.7	—
Gains from trading securities	—	—	—
Gains on sales of securities	10.0	66.9	90.3
Gains on derivatives	—	—	—
Foreign exchange gains	—	—	—
Other capital gains	—	—	—
Capital losses	31.9	48.8	66.1
Losses on money held in trust	—	—	26.2
Losses from trading securities	—	—	—
Losses on sales of securities	26.4	24.9	30.2
Losses on valuation of securities	—	16.9	—
Losses on derivatives	0.2	0.1	0.3
Foreign exchange losses	0.9	2.0	3.1
Other capital losses	4.4	4.6	6.2
Net capital gains B	16.8	33.8	24.1
Core profit including capital losses A+B	444.0	518.3	595.7
Other one-time gains	—	64.6	102.2
Reinsurance income	—	—	—
Reversal of contingency reserve	—	64.6	102.2
Reversal of individual allowance for doubtful accounts	—	—	—
Others	—	—	—
Other one-time losses	64.3	160.7	166.6
Reinsurance premiums	—	—	—
Provision for contingency reserve	64.3	—	—
Provision for individual allowance for doubtful accounts	—	—	—
Provision for reserve for specific overseas loans	—	—	—
Depreciation of loans	—	—	—
Others	—	160.7	166.6
Other one-time profits C	(64.3)	(96.1)	(64.3)
Net ordinary income A+B+C	¥ 379.6	¥ 422.2	¥ 531.3

Notes: 1. Amounts (¥4.4 billion in fiscal 2010, ¥4.6 billion in fiscal 2011 and ¥6.2 billion in fiscal 2012) corresponding to income gains among gains from money held in trust have been recorded in "Other capital losses" and are included in core profit as "other core income."

2. The accumulated amount (¥160.7 billion in fiscal 2011 and ¥166.6 billion in fiscal 2012) of additional policy reserves as stipulated under Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act is listed in "Others" of "Other one-time losses."

2. Solvency Margin Ratio

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

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

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

Japan Post Insurance's solvency margin ratio as of March 31, 2012 was 1,336.1%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

Solvency margin ratio
1,336.1%

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

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

As of March 31, 2012, Japan Post Insurance had a contingency reserve of ¥2,783.7 billion and a reserve for price fluctuations of ¥458.2 billion, a total of ¥3,241.9 billion.

Contingency reserve and reserve for price fluctuations ¥3,241.9 billion

(Billions of yen)

	End of fiscal 2011 (March 31, 2011)	End of fiscal 2012 (March 31, 2012)
Total amount of solvency margin (A)	¥ 4,675.2	¥ 4,791.8
Capital stock, etc.	1,167.1	1,217.9
Reserve for price fluctuations	409.6	458.2
Contingency reserve	2,885.9	2,783.7
General reserves for possible loan losses	0.0	0.0
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	29.8	74.4
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(25.6)	(3.1)
Excess of continued Zillmerised reserve	208.0	260.4
Capital raised through debt financing	—	—
Amounts within "excess of continued Zillmerised reserve" and "capital raised through debt financing" not calculated into the margin	—	—
Deductions	—	—
Other	—	—
Total amount of risk (B)	810.3	717.2
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Underwriting risk R ₁	180.5	177.0
Underwriting risk of third-sector insurance R ₈	143.2	127.5
Anticipated yield risk R ₂	256.8	237.5
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	463.1	391.2
Business management risk R ₄	20.8	18.6
Solvency margin ratio (A) $\frac{(A)}{(1/2) \times (B)} \times 100$	1,153.9%	1,336.1%

Note: The fiscal 2012 figures are calculated based on Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the provisions of Ordinance No. 50 issued by the Ministry of Finance in 1996.

Following Cabinet Office Ordinance No. 23 in 2010 and Financial Services Agency Ordinance No. 48 in 2010, a partial revision has been made to standards for calculating the total amount of solvency margin and the total amount of risk, requiring more stringent margin calculations and more strict and refined risk measurements (effective as of March 31, 2012). The figures for fiscal 2011 shown above are those disclosed at the end of fiscal 2011, which were calculated assuming that the revision had been adopted one year earlier as of March 31, 2011.

(Billions of yen)

	End of fiscal 2010 (March 31, 2010)	End of fiscal 2011 (March 31, 2011)	End of fiscal 2012 (March 31, 2012)
Contingency reserve	¥ 2,950.6	¥ 2,885.9	¥ 2,783.7
Limit amount	3,162.3	3,010.8	3,047.9
Reserve for price fluctuations	¥ 421.4	¥ 409.6	¥ 458.2
Limit amount	421.4	409.6	787.1
Total	¥ 3,372.0	¥ 3,295.6	¥ 3,241.9

Note: The method of calculating limit amount is changed from March 31, 2012.

4. Real Net Assets

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

As of March 31, 2012, Japan Post Insurance had a sufficient level of ¥8,083.6 billion in real net assets.

(Billions of yen)

	End of fiscal 2010 (March 31, 2010)	End of fiscal 2011 (March 31, 2011)	End of fiscal 2012 (March 31, 2012)
Real net assets	¥ 6,598.7	¥ 6,905.6	¥ 8,083.6

5. Net Unrealized Gains (Losses) on Securities

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

At the end of fiscal 2012, Japan Post Insurance recorded a net unrealized gain on securities of ¥3,349.4 billion.

We recorded a ¥0.1 billion net unrealized loss on money held in trust and a ¥82.7 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

	End of fiscal 2010 (March 31, 2010)	End of fiscal 2011 (March 31, 2011)	End of fiscal 2012 (March 31, 2012)
Net unrealized gains (losses)			
Total	¥ 1,966.4	¥ 2,241.0	¥ 3,349.4
Held-to-maturity securities	1,003.8	1,205.5	2,088.8
Policy reserve-matching bonds	895.8	1,002.2	1,177.7
Available-for-sale securities (before tax effects)	(Note 1) 66.7	(Note 2) 33.2	(Note 3) 82.7
Securities, etc.	55.0	37.2	82.8
Money held in trust	11.7	(4.0)	(0.1)

Notes: 1. After applying tax-effect accounting, a gain of ¥42.5 billion
 2. After applying tax-effect accounting, a gain of ¥21.1 billion
 3. After applying tax-effect accounting, a gain of ¥57.1 billion

6. Risk-monitored Loans

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

2

Policyholders' Dividends

¥271.9 billion

Insurance premiums are calculated based on assumed rates concerning future insurance benefit and other payments, investment yield and expenses for policy administration. If these assumed figures exceed actual results, the surplus will be returned to policyholders in the form of dividends ("policyholders' dividends") in accordance with the terms of their respective policies.

For fiscal 2012, we posted provision for reserve for policyholders' dividends of ¥271.9 billion.

- For Japan Post Insurance policies, we accounted for provision for reserve for policyholders' dividends of ¥12.4 billion and will pay dividends to policyholders starting from fiscal 2013.
- For postal life insurance policies, we posted provision for reserve for policyholders' dividends of ¥259.5 billion under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, based on the performance of the segment related to reinsurance. Policyholders' dividends on postal life insurance policies are determined by the Management Organization.

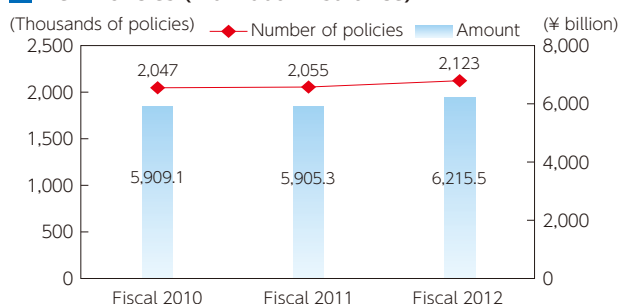
3 Insurance Policies

New Policies and Policies in Force

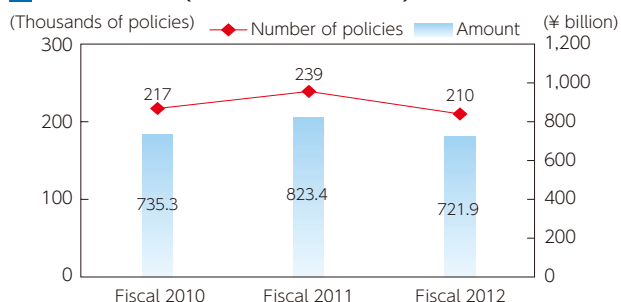
In fiscal 2012, Japan Post Insurance sold 2,123 thousand individual insurance policies with an insured amount of ¥6,215.5 billion, and 210 thousand individual annuity policies with an annuity amount of ¥721.9 billion.

As of March 31, 2012, there were 8,019 thousand individual insurance policies, and policies in force totaled ¥23,043.2 billion. There were 887 thousand individual annuity policies with an annuity amount of ¥2,781.5 billion.

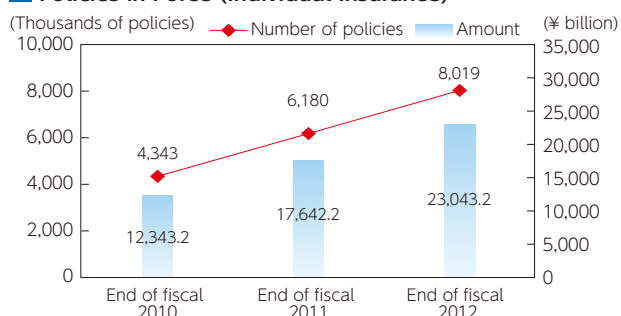
New Policies (Individual Insurance)



New Policies (Individual Annuities)

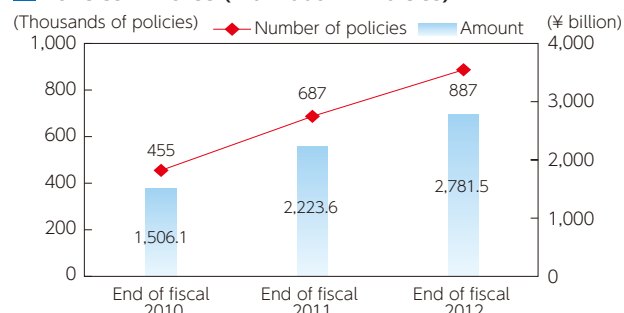


Policies in Force (Individual Insurance)

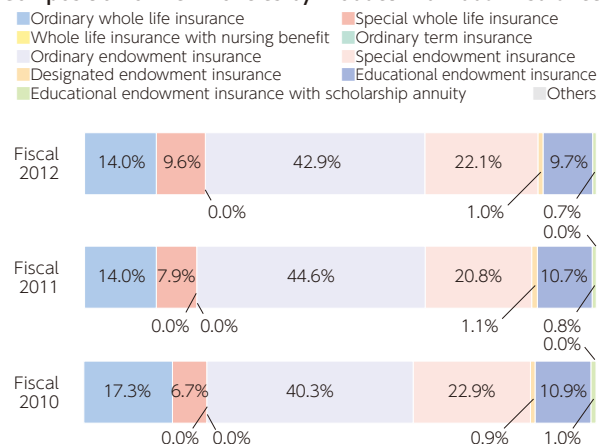


Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 31,016 thousand life insurance policies with an insured amount of ¥85,854.2 billion and 4,393 thousand annuity policies with an annuity amount of ¥1,628.5 billion.

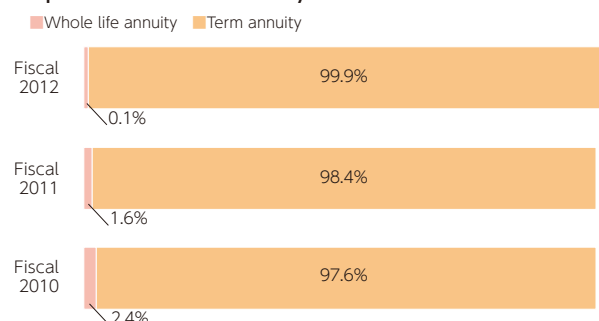
Policies in Force (Individual Annuities)



Composition of New Policies by Product: Individual Insurance



Composition of New Policies by Product: Individual Annuities



Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

	End of fiscal 2010 (March 31, 2010)		End of fiscal 2011 (March 31, 2011)		End of fiscal 2012 (March 31, 2012)	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Life insurance	40,308	112,069.4	35,496	98,910.0	31,016	85,854.2
Annuity	5,361	1,980.4	4,886	1,809.4	4,393	1,628.5

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

4 Performance Overview

1. Assets

At March 31, 2012, total assets of Japan Post Insurance amounted to ¥93.6 trillion, a decrease of ¥3.0 trillion from fiscal 2011 (¥96.7 trillion).

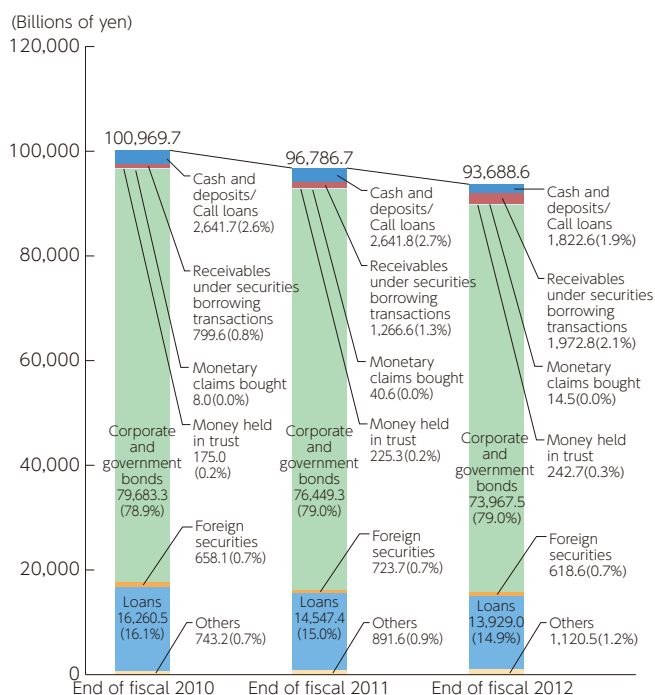
Our investment policy in fiscal 2012 was to continue investing primarily in yen-denominated interest-bearing assets that provide stable interest income.

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

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

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

■ Composition of Assets



2. Asset Management Yield

Despite the continued trends toward lower interest rates, a strong yen and weak stock markets, careful investment primarily in yen-denominated interest-bearing assets gave Japan Post Insurance an asset management yield of 1.66%.

■ Asset Management Yield

Item	Fiscal 2010 (April 1, 2009 to March 31, 2010)	Fiscal 2011 (April 1, 2010 to March 31, 2011)	Fiscal 2012 (April 1, 2011 to March 31, 2012)
Yield	1.58%	1.64%	1.66%

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

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

■ Holdings of Securitized Financial Instruments

(Billions of yen)

Item	End of fiscal 2010 (March 31, 2010)		End of fiscal 2011 (March 31, 2011)		End of fiscal 2012 (March 31, 2012)	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	311.9	6.4	370.0	7.6	434.1	14.5

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

■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

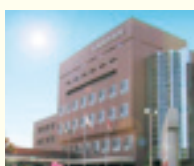
5. Other Businesses

1. Hospital Business

Japan Post Holdings has established 14 Teishin Hospitals around Japan that serve as corporate hospitals for the Japan Post Group. Teishin Hospitals are open for the use of any member of the public, as well as Group employees and their families, and they provide medical services and medical check-up services, which contribute to the health of everyone in the community. For details, please refer to page 95.

Notably, Tokyo Teishin Hospital has 514 sickbeds, advanced medical care and medical equipment, and cutting-edge medical research. Its medical check-up center, which was reopened in September 2010 following renewal, was utilized by approximately 12,000 people during fiscal 2012.

List of 14 Teishin Hospitals nationwide



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



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



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



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



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



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



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



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



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



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



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



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



Nagoya Teishin Hospital
Departments
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics



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

2. Hotel Business

1. Kanpo no Yado Inns and Kanpo no Sato Inns

There are 66 *Kanpo no Yado* inns nationwide (including three that are temporarily closed and one currently suspending operations). These facilities are near tourist spots. *Kanpo no Yado* inns are available for the use of all persons, in the same way as regular *ryokan* and hotels, regardless of whether guests possess insurance policies of Japan Post Insurance.

There are three *Kanpo no Sato* inns in Japan, where people can enjoy sports and other leisure activities in a natural setting.

In April 2012, we opened Kazeru Otaru, a fee-paying residential-style nursing home, on the site of *Kanpo no Yado* inn Otaru, to ensure enriched lives for elderly people.

For details, please refer to pages 96-97.

2. Rafre Saitama and other facilities

Rafre Saitama is a lodging facility located near Saitama Shintoshin station that has conference rooms, banquet halls and a fitness center. In May 2012, we started providing a service to support prevention of nursing care, including physical exercise guidance by preventive exercise instructors.

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

MIELPARQUE and U-Port hotels provide accommodations, conference rooms, banquet and wedding halls, restaurants and other facilities.

Notes: 1. The nursing care preventive facility in Rafre Saitama has been run by Central Sports Co., Ltd. since May 2012 under a fixed-term lease agreement with Japan Post Holdings.
2. MIELPARQUE hotels have been run by a subsidiary of Watabe Wedding Corp. since October 2008 under a fixed-term lease agreement with Japan Post Holdings. MIELPARQUE Kyoto does not have accommodation and wedding facilities.
3. U-Port has been run by Seiyō Food-Compass Group, Inc. and Central Sports Co., Ltd. since December 2008 under a fixed-term lease agreement with Japan Post Holdings.

List of Accommodation Facilities Nationwide

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

*1 Temporarily closed (as of July 1, 2012)
*2 Suspending operations (as of July 1, 2012)

On our recommendation list:

6 Kanpo no Yado inn Sakata



Featuring various types of baths, including an open-air bath. The facility prides itself on superb dishes using plenty of local vegetables from the Shonai Plain, fresh local fish from Sakata Port and other delicacies of the season.

12 Kanpo no Yado inn Tochigi Kitsuregawa Onsen



The pride of the facility is its hot spring baths, chosen as one the three most beautiful hot springs in Japan. From April 2012, the facility offers special Japanese / Western combination-style rooms with individual open-air baths.

26 Kanpo no Yado inn Izukogen



One of the best highlands resorts in Izu surrounded by the mountains and the sea. Within walking distance of the famous Jogasaki Coast, this hilltop facility offers a panoramic view of the Izu Islands.

53 Kanpo no Yado inn Kanonji



Sitting on a hill, the facility looks down on the quiet Seto Inland Sea. Guests can enjoy and relax in the abundant waters of the high-quality natural hot springs. Fresh produce from the Seto Inland Sea and the Sanuki Plain are another attraction of the facility.

58 Kanpo no Yado inn Kitakyushu



Its exceptional location facing a vast expanse of sea, exquisite dishes using fresh local seafood and an open-air bath offering a full view of the Sea of Genkai promise a relaxing stay for guests.

Dedicated to Becoming an Even More Trustworthy Group

CONTENTS

1. Japan Post Group Corporate Governance

- 1. Fundamental Policy for Corporate Governance 70
- 2. Corporate Governance Systems of Group Companies 71

2. Japan Post Group Compliance Framework

- 1. Japan Post Group Compliance Framework 72
- 2. Group Company Compliance Framework 73

3. Japan Post Group Internal Audit System

- 1. Japan Post Group Internal Audit System Framework 74
- 2. Internal Audit System at Group Companies 74

4. Japan Post Group Risk and Crisis Management

- 1. Group Risk Management Framework 76
- 2. Japan Post Group Risk Management System 77
- 3. Crisis Management for Disasters 77

5. Japan Post Group Customer Satisfaction

- 1. Listening to Customers 78
- 2. Customer Service Consulting Center 78

6. Japan Post Group CSR

- 1. Japan Post Group CSR Activities 80
- 2. Emergency Initiatives Undertaken in Fiscal 2012 81
- 3. Activities Related to CSR Priority Issues 82

1. Japan Post Group Corporate Governance

1. Fundamental Policy for Corporate Governance

At the Japan Post Group, all Group companies establish their own corporate governance systems, and Japan Post Holdings Co., Ltd., as the holding company, uses the following system to oversee management of the Group. The objective is to establish an appropriate corporate governance system for the entire Japan Post Group.

1. Group Management

Japan Post Holdings has management control agreements between its four major subsidiaries. In addition, the holding company establishes basic Group policies concerning important management items and asks all Group companies to follow these policies. Group companies must receive approval by the holding company or

submit reports to the holding company with regard to items that have a significant effect on the entire Group and items required to maintain management transparency. Through these activities, Japan Post Holdings oversees management of the Japan Post Group.

2. Internal Controls

Japan Post Holdings, in accordance with management policies for the Japan Post Group, has established the Fundamental Policy for Establishment of Internal Control Systems for Japan Post Holdings Co., Ltd. for the purpose of establishing programs that ensure sound and proper business operations. In addition, the holding company has established basic Group policies for matters concerning such areas as compliance, internal audits, risk management, information

security and other items. Group companies are asked to establish their own systems based on these policies.

Furthermore, Japan Post Holdings constantly monitors Group companies to ensure proper business operations by asking Group companies to submit reports. This enables the holding company to assist Group companies in making improvements as needed.

3. Separation of Business Execution and Supervision

Japan Post Holdings is a company with committees, in which responsibilities for execution of business activities and oversight of management are separated for the purpose of strengthening corporate governance for the entire Japan Post Group. The president and CEO quickly makes decisions concerning business activities. The Board of Directors, comprising 19 directors among which 13 are outside directors, provides appropriate supervision of business activities.

In addition, there is a Nomination Committee, Audit Committee and Compensation Committee, each with a majority of outside directors. The Nomination Committee decides on proposals regarding candidates for director while the Audit Committee monitors the business execution functions of executive officers and other relevant individuals, and the Compensation Committee determines compensation for executive officers and other relevant individuals.

4. Management Meeting and Special Committees

Japan Post Holdings has a Management Meeting made up of executive officers that serves as an advisory body to the president and CEO. This meeting discusses important matters involving business activities and submits reports.

In addition, there are two special committees, the Compliance

Committee and Corporate Social Responsibility (CSR) Committee, that serve as advisory bodies to the Management Meeting. Having these committees examine specialized matters and submitting the results to the Management Meeting better enables the Japan Post Group to solve problems involving all aspects of management.

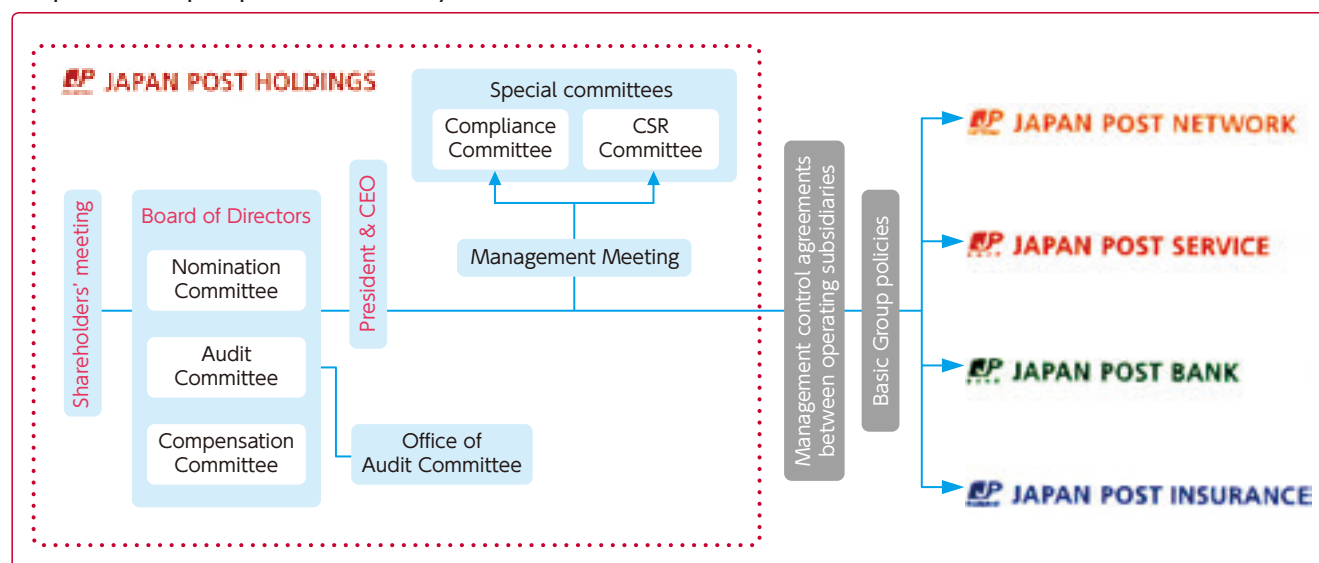
5. Administrative Management

Japan Post Holdings has set forth a basic policy concerning the creation of administrative management systems that requires Group companies in different industries to continually strive to maintain and improve administrative quality by promoting rationalization and streamlining of administrative operations and procedures.

To support the development and improvement of administrative

management systems at each Group company and ensure cooperation between Group companies, Japan Post Holdings requests information necessary to evaluate the administrative management system of each Group company and provides guidance and makes recommendations for improvement as required.

■ Japan Post Group Corporate Governance System



■ Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces

To eliminate any relationships with antisocial forces and prevent damage to the organization, the Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

1. Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, the Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

2. Complete elimination of relationships, including transactions

The Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

3. Legal measures and prohibition of secret negotiations

The Japan Post Group will strongly refuse any unjustified demands by antisocial forces and will take legal measures, either via a civil court or a criminal court, or both. The Japan

Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

4. Cooperation with outside experts

The Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

5. Prohibiting financing for antisocial forces

The Japan Post Group will never engage in financing for antisocial forces.

2. Corporate Governance Systems of Group Companies

Japan Post Network and Japan Post Service have a corporate governance system based on a Board of Corporate Auditors. Three of four corporate auditors of Japan Post Network are outside auditors, and all three corporate auditors of Japan Post Service are outside auditors.

Japan Post Bank and Japan Post Insurance have a corporate governance system based on committees comprised of Board of Directors members and have more than half of their directors as outside directors. These companies maintain a Nomination Committee, Audit Committee and Compensation Committee, each with a majority of outside directors.

Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance have a Management Meeting made up of executive officers that serves as an advisory body to the chairman and president. This meeting discusses important matters involving business activities and submits reports. In addition, there is a Compliance Committee, a Risk Management Committee and other special committees that serve as advisory bodies to the Management Meeting and deliberate on specialized matters.

2. Japan Post Group Compliance Framework

We conduct rigorous compliance activities as one of the highest management priorities of the Japan Post Group. With the guidance and support of Japan Post Holdings, all Group companies build an effective compliance framework giving due consideration to the public characteristics of the business.

1. Japan Post Group Compliance Framework

The Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to unify the management of compliance-related matters.

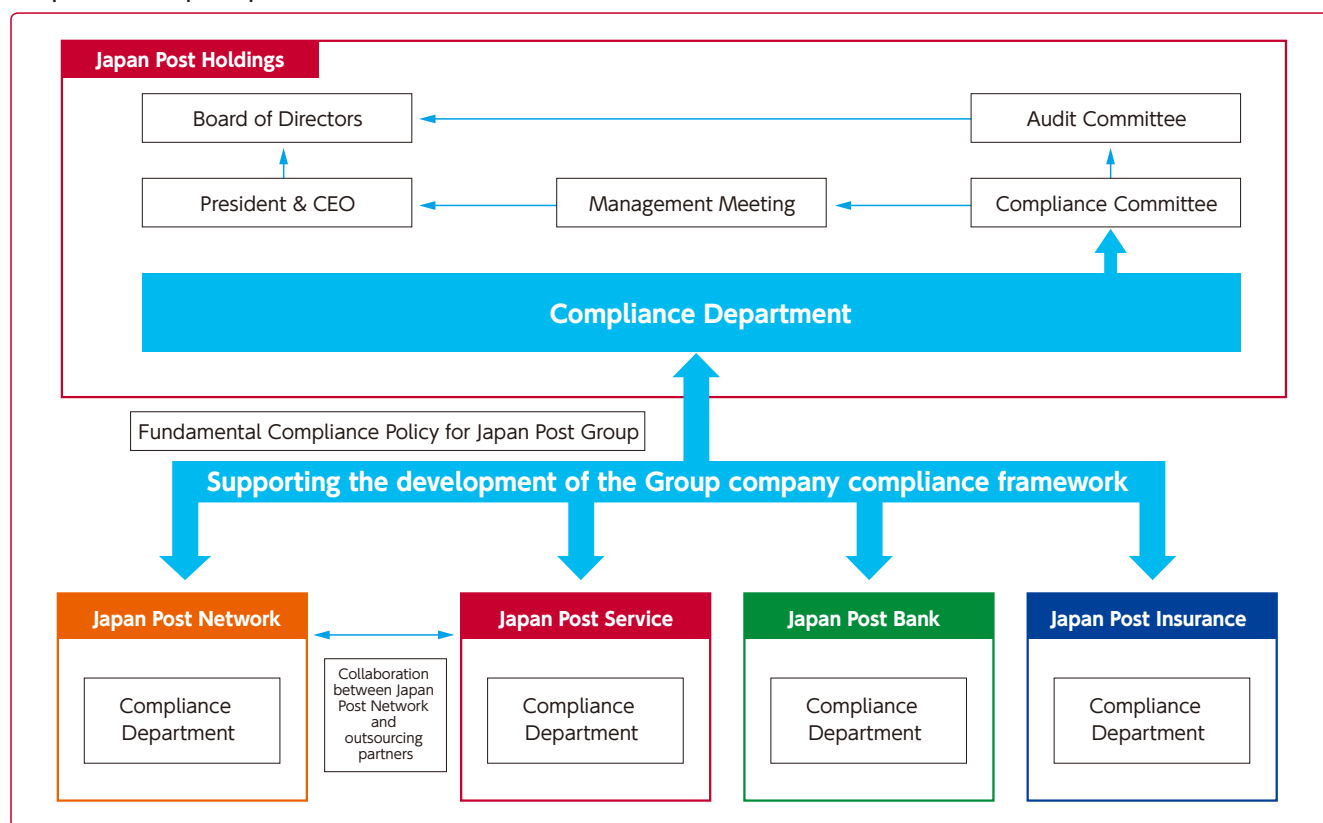
In addition, each Group company has a Compliance Committee that reports to its Management Meeting to review the compliance policy, framework, specific activities and associated issues.

A Compliance Department has been set up to propose and manage measures to promote compliance through a director in

charge of compliance.

The Compliance Department of Japan Post Holdings establishes the Fundamental Compliance Policy for Japan Post Group. This department also provides Group companies with guidance and support to make improvements as required. These activities make it possible to maintain and improve compliance functions for the Group as a whole.

■ Japan Post Group Compliance Framework



2. Group Company Compliance Framework

Japan Post Group companies have built a compliance framework as outlined below and use various measures to promote compliance so that the compliance framework can function effectively.

1. Compliance Framework

(a) Line of responsibility for compliance activities

Each Group company has a Compliance Department that is independent from departments related to business execution in order to promote compliance activities throughout the company. This department and other departments have a compliance officer who is responsible for executing specific compliance activities. In addition, compliance managers have been appointed at all head office departments, regional offices, branch offices and post offices in order to establish a line of report for compliance activities.

(b) Internal reporting system

In each Group company, the Compliance Department has a compliance hotline that can be used by employees and others. In addition, reports of compliance infringement at any Group company can be submitted at a designated law firm, which provides an external reporting channel. This reporting system makes it possible to quickly deal with compliance violations and prevent such violations from spreading while maintaining a structure to resolve issues at the earliest stage.

2. Promotion of Compliance

(a) Establishment of compliance program

Each fiscal year, a compliance program is established to provide a plan for specific actions involving compliance. Progress is then checked on a regular basis.

(b) Activities related to compliance items

At Group companies, specific compliance items have been selected and departments have been assigned to take responsibility for individual compliance items in order to promote compliance in a focused manner. The Compliance Department oversees the compliance promotion activities undertaken by these units and conducts integrated management of compliance-related issues across the board.

(c) Preparation and distribution of compliance manual

A compliance manual is prepared to serve as a practical guide to promote compliance. The manual explains the compliance framework, matters concerning areas of compliance and other subjects. All employees also receive a compliance handbook that summarizes the manual and is used in training programs and other activities to raise awareness among employees of the importance of compliance.

(d) Implementation of compliance-related training

Each Group company conducts a variety of training activities to promote a better understanding of legal matters and other areas, and to raise awareness of compliance.

3. Japan Post Group Internal Audit System

The Japan Post Group has established an effective internal audit system at each Group company in order to ensure sound administration and proper operations aimed at building customer trust.

1. Japan Post Group Internal Audit System Framework

The Japan Post Group has formulated the Basic Policy on Internal Auditing that sets forth the fundamental items necessary to create an internal audit system framework.

Based on this policy, each Group company develops an effective internal audit system framework befitting the nature of the business and the degree of risk.

The Internal Audit Department of Japan Post Holdings monitors the audit regulations, audit plans and progress of audits

of the Internal Audit Departments of Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance from the perspective of enhancing the internal audit system framework of the entire Group.

This Internal Audit Department also evaluates and examines the internal audit systems of Group companies and provides guidance and advice, as well as makes recommendations for improvements and conducts audits when required.

2. Internal Audit System at Group Companies

1. Overview

Each Group company has an Internal Audit Department independent from business-executing department which conducts internal audits from an independent and objective standpoint.

In addition, the scope of the internal audits extends to all business sites and administrative affairs, so each Group company has set up an Internal Audit Department at its head office. Besides this,

Japan Post Network, which has approximately 24,000 post offices, has established audit offices at 50 locations nationwide, while Japan Post Service, which has around 1,090 branch offices, has established 13 audit offices nationwide. This ensures that internal audits are carried out at a sufficient frequency and in appropriate detail.

2. Implementation of Effective Internal Audits

The Internal Audit Department of each Group company evaluates the branches and departments within the scope of the internal audit, or more precisely, the different types and extent of risks in business operations. Audit frequency and audit items are determined in line with these evaluations, and risk-based internal audits carried out.

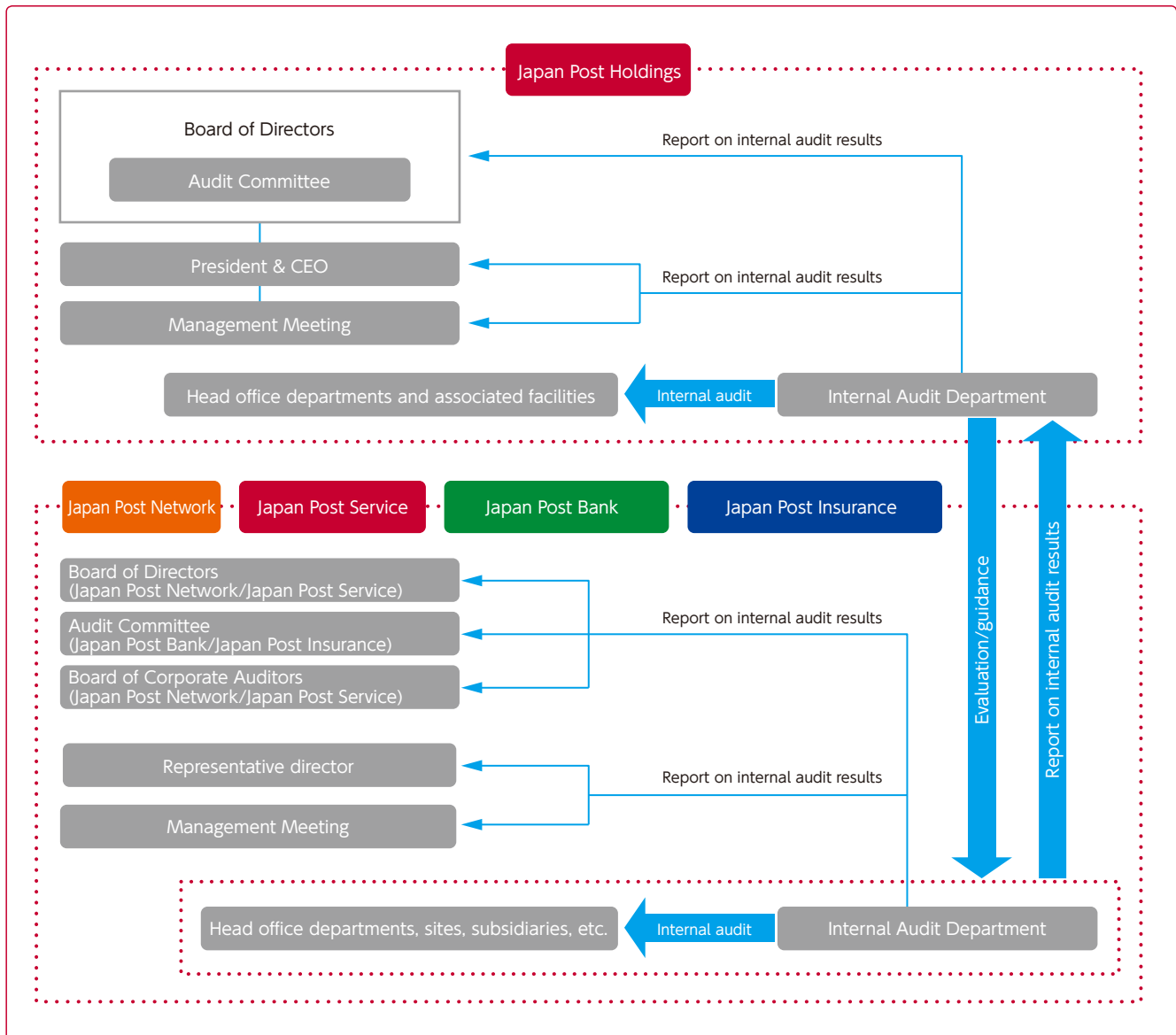
In addition, efforts are made to ensure efficient and effective internal audits through attendance at daily meetings and off-site monitoring that includes gathering materials related to internal management.

3. Reporting on Results of Internal Audits and Making Improvements

The Internal Audit Department of each Group company reports on internal audit results, which includes recommendations for improvement, to the business-executing department followed by the representative director and the Audit Committee or Board of Corporate Auditors.

Moreover, each Internal Audit Department works to improve operations in respective companies. To this end, progress reports of improvement-requested items indicated in audit reports are periodically made to the representative director.

Japan Post Group Internal Audit Framework



4. Japan Post Group Risk and Crisis Management

Japan Post Holdings, as the holding company of the Japan Post Group, recognizes that properly managing risk within the Group is one of management's highest priorities. Basic items concerning Group risk management are set forth in the Basic Policy for Japan Post Group Risk Management. Japan Post Holdings utilizes this policy as the basis for establishing risk management systems for the Group.

Japan Post Holdings is committed to preventing the transfer of risk from one Group company to another. Japan Post Holdings is also committed to assuring that Japan Post Bank and Japan Post Insurance, the Group's financial companies, continue to strengthen their risk management systems as autonomous financial institutions and develop systems that make them self-reliant.

To deal with a crisis to ensure appropriate response to earthquakes and other natural disasters as well as other crises, the Japan Post Group has established the Basic Policy for Japan Post Group Crisis Management and utilizes this policy as the basis for establishing crisis management systems for each Group company.

1. Group Risk Management Framework

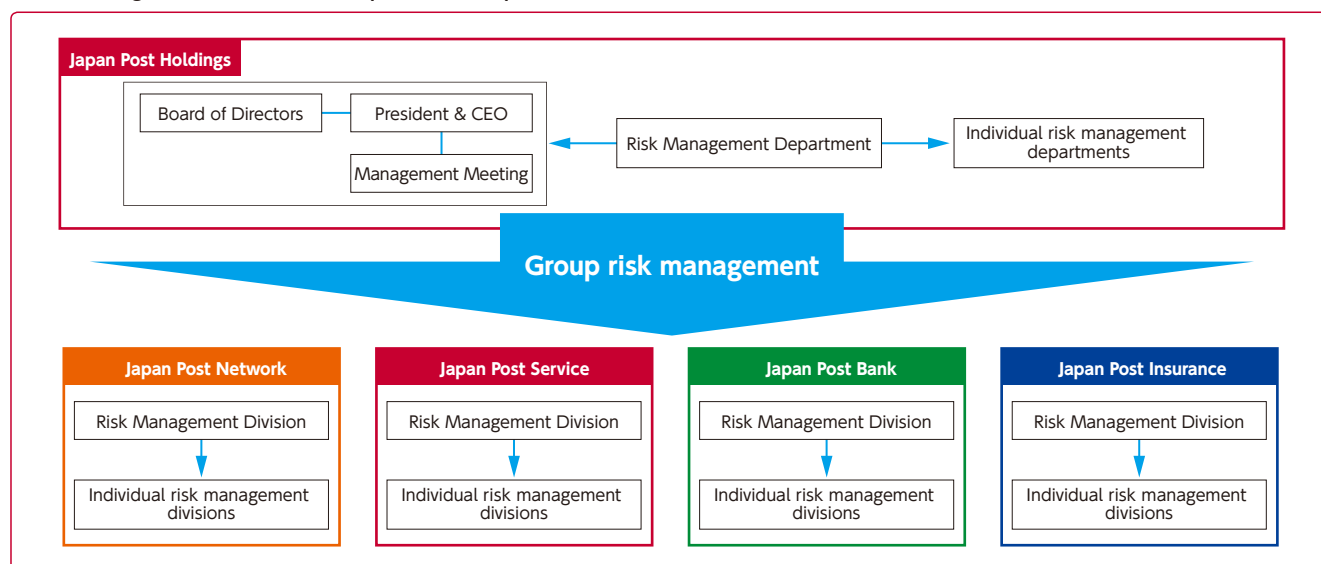
The Basic Policy for Japan Post Group Risk Management classifies and defines risk categories managed by Group companies and prescribes basic policy that must be followed by Group companies.

In addition, Japan Post Holdings has a Risk Management Department, which has authority that is independent of other departments, for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department makes use of reports on risk management at Group companies and discussions to establish systems that properly monitor risk for the Group as a whole.

The Risk Management Department periodically submits Group company risk management reports to the Management Meeting in which the Group's risk management policies and risk management systems are discussed.

We take care to prevent any conflicts of interest between the risk management organization and executives or employees concerning their authority and responsibility, and provide a system of checks and balances by maintaining independence from other businesses.

■ Risk Management Framework for Japan Post Group



Japan Post Bank and Japan Post Insurance are exposed to market risk, credit risk and other types of risk that are unique to the provision of financial services. Each Group 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.

Japan Post Holdings manages risk by confirming that the amount of risk measured at each of these two companies is suitable in relation to each Group company's equity capital.

Operational risk is managed for the work performed under consignment by Japan Post Network, mainly at post offices, and for the business activities of Japan Post Service, Japan Post Bank and Japan Post Insurance. Operational risk management is monitored on a regular basis to properly supervise this risk. In addition, actions are taken to enable Group companies to work more closely together in order to prevent the recurrence of problems and strengthen risk management.

2. Japan Post Group Risk Management System

Managing risk at Japan Post Group companies is recognized as one of management's highest priorities. After specifying risks associated with each business activity, each Group company has established a management system in accordance with the characteristics of each risk based on the Basic Policy for Japan Post Group Risk

Management and manages those risks autonomously.

A department responsible for managing risk has been set up at each Group company and a system for checks and warnings has been created together with the individual risk management departments.

■ Risk Categories and Definitions

Risk category	Definition
Insurance underwriting risk	Risk of incurring losses due to the deviation of economic conditions and incident rates of accidents from forecasts established at the time insurance premiums were set
Credit risk	Risk of incurring losses caused when assets (including off-balance-sheet assets) decline in value or become worthless due to deterioration in the financial position of the obligor
Market risk	Risk of incurring losses due to changes in the value of assets (including off-balance-sheet assets) due to changes in risk factors involving interest rates, securities prices and foreign exchange and other markets. Market risk is divided into the following three categories:
1) Interest rate risk	Risk of incurring losses due to fluctuation in interest rates; the risk of a decline in earnings or losses caused by interest rate volatility when there are mismatches of interest rates and interest rate periods between assets and liabilities
2) Price volatility risk	Risk of declines in value of assets due to fluctuation in value of securities and other financial instruments
3) Foreign exchange risk	Risk of incurring losses due to differences in foreign exchange rates from initial assumed rates in cases where there is a net surplus of assets or liabilities for assets or liabilities denominated in foreign currencies
Asset management risk	This risk has the following three components:
1) Credit risk	Same as credit risk above
2) Market risk	Same as market risk above
3) Real estate investment risk	Risk of incurring losses due to a decline in profitability of real estate caused by changes in real estate leases and other items or by declines in the value of real estate itself due to changes in market conditions

Risk category	Definition
Liquidity risk	(1) Cash flow risk: Risk of incurring losses due to cash flow problems caused by the inability to procure sufficient funds, the need to procure funds at an interest rate that is extremely higher than normal because of a worsening financial condition (Japan Post Bank), risk of incurring losses due to a decrease in insurance premiums due to a decrease in new policies, or an increase in payments of termination refund following a large quantity of policy cancellations because of a worsening financial condition, or to the need to sell assets at prices far below normal in order to procure funds in response to deteriorating cash flows caused by cash outflows resulting from a significant natural disaster (Japan Post Insurance) (2) Market liquidity risk: Risk of incurring losses due to the inability to conduct transactions or to the need to conduct transactions at prices that are much less favorable than normal because of market turmoil
Operational risk	Risk of incurring losses due to improper business processing, inappropriate actions by executives and employees, improper computer system operation, or external events There are three categories of operational risk that apply to the entire Group: (1) processing risk, (2) computer system risk and (3) information assets risk. The subsidiaries also define other risk categories of their own that are added to the list of operational risks after consultation with the holding company:
1) Processing risk	Risk of incurring losses due to executives, employees and others neglecting to perform their clerical process properly resulting in errors or other incidents, or engaging in unlawful activities
2) Computer system risk	Risk of incurring losses due to system failures, including disruptions, errors or other problems; risk of incurring losses due to the unlawful use of computers
3) Information assets risk	Risk of incurring losses due to a computer system malfunction, improper clerical processing or another problem that results in a loss, alteration, unlawful use, leak to external parties or other problem associated with information

3. Crisis Management for Disasters

The Japan Post Group has established the Basic Policy for Japan Post Group Crisis Management and each Group company also has its own system for dealing with a crisis. Crisis management is needed to ensure the stability and soundness of the business activities of Group companies. Group companies are prepared to respond appropriately to earthquakes and other natural disasters, suspensions in the operation of data management systems and other crises.

Group companies prepare manuals and establish plans that facilitate the required initial response and rescue measures immediately after a crisis occurs. In the event of a major crisis, we will quickly establish a joint task force on-scene that is made up of representatives of Group companies and other bodies. This unit will be responsible mainly for considering and establishing methods to enhance the smooth provision of services to customers.

5. Japan Post Group Customer Satisfaction

The Japan Post Group duly considers its customers' point of view and provides a selection of products and services that customers truly appreciate. To achieve this, all directors and employees listen closely to customers' opinions as a means to raise customer satisfaction.

1. Listening to Customers

Each Group company's customer satisfaction department* analyzes customer feedback collected from post offices, branches, call centers and its own website with the aim of making required improvements and providing products and services that bring customer satisfaction.

*Group companies' customer satisfaction departments:

- Japan Post Network: CS Promotion Division
- Japan Post Service: Operations Division, Customer Service Promotion Office

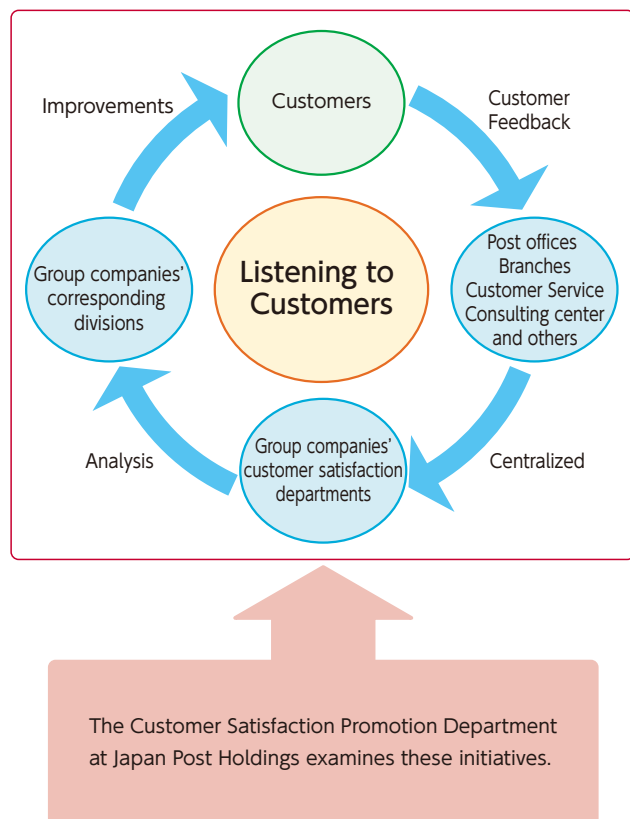
The Customer Satisfaction Promotion Department at Japan Post Holdings devises ways to utilize customer opinions gathered from Group companies in its management operations.

- Japan Post Bank: Compliance Management Department, Customer Service Promotion Office
- Japan Post Insurance: Customer Service Department

2. Customer Service Consulting Center

Customer opinions are gathered at all post offices, branches and call centers nationwide, as well as from respective websites. Please refer to pages 192-195 for business hours at post offices and branches, and for telephone numbers and business hours of Group company call centers.

■ Japan Post Group Customer Satisfaction Flowchart



■ Example of improvements based on customer feedback

	Customer feedback	Improvements
Postal services	The telephone number of the driver on the delivery notice is too small. Also, having instructions on both the front and back of the form makes it difficult to understand.	We made the driver's telephone number bigger on the delivery notice for Yu-Pack. In addition, we put all required information such as contact details and package content on the same side of the form to make it easier to use.
Postal services	Letter Pack (1) It is difficult to understand the difference between the products commonly known as Letter Pack 500 and Letter Pack 350. (2) The colors used for Letter Pack 500 (red base) and Letter Pack 350 (pink base) are too similar, so they are easy to mix up. (3) It is difficult to understand the indication of thickness restrictions on Letter Pack 350.	We made improvements in each of these areas as follows. (1) We changed the product names to Letter Pack Plus and Letter Pack Light. (2) We changed the color of Letter Pack Light (formerly called Letter Pack 350) to a blue base. (3) We indicated thickness restrictions in big text on the outside of Letter Pack Light (formerly called Letter Pack 350).
Banking services	It would be good to be able to use Yucho Direct from a smartphone.	Customers were able to start using some services for Yucho Direct (Internet banking service) in September 2011.
Insurance services	I would like to transfer money for my first insurance premium from Japan Post Bank, so it would be good if you could send a special payment form that I can use.	We now send a special Japan Post Bank payment slip along with funds transfer forms for other banks.

Results of the Fourth Japan Post Group Customer Satisfaction Survey

Japan Post Holdings conducts a survey on customer satisfaction levels and intention of use at post offices (Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.) and summarizes the results in order to accurately ascertain customer opinions on products and services and respond to new needs.

The Japan Post Group will continue to regularly conduct surveys as a means to further raise customer satisfaction and the results of analysis of issues and other aspects obtained via such research will be actively reflected in management operations.

Outline of survey

■ Respondents

- (1) Individuals who use the post office (including ATMs) more than once a month
 - (2) Individual males or females over 20 years old nationwide
 - (3) Individuals that fit one of the following criteria
 - Used mail such as Yu-Pack or letter in the past year
 - Have an account at Japan Post Bank
 - Family subscribes to Japan Post Insurance
- * Excludes mass media, sector peer companies, those affiliated with the post office, etc.

■ Period: November 25-27, 2011

■ Survey method: Internet

■ Valid responses: 4,744 people (59.3% of 8,000 solicited)

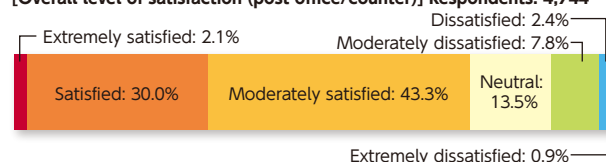
■ Level of satisfaction in the post office exceeded the level of dissatisfaction.

◇ (Satisfied: 75.4%, Dissatisfied: 11.1%)

<Q5>

How satisfied are you overall with the post office network and response at counters?

[Overall level of satisfaction (post office/counter)] Respondents: 4,744



■ Level of dissatisfaction concerning specific areas of the post office and counter service exceeded the level of satisfaction.

Top 3 most satisfied

- Welcome greeting (Satisfied: 78.1%, Dissatisfied: 5.6%)
- No procedural errors (Satisfied: 76.5%, Dissatisfied: 5.9%)
- Courteous and prompt response (Satisfied: 74.7%, Dissatisfied: 7.0%)

Top 3 least satisfied

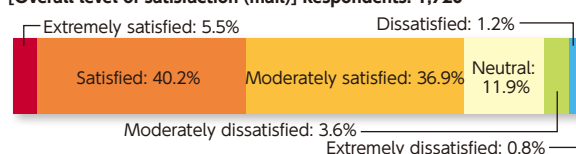
- Number of ATMs (Dissatisfied: 46.3%, Satisfied: 30.1%)
- Size of parking area (Dissatisfied: 42.3%, Satisfied: 21.1%)
- Length of business hours (Dissatisfied: 30.1%, Satisfied: 34.4%)

■ The percentage of satisfied customers exceeds that of dissatisfied customers for services such as postal services, banking services and insurance services.

◇ Mail (Satisfied: 82.6% Dissatisfied: 5.6%)

<Q18> How satisfied are you overall with mail delivery services at post offices for such items as letters, postcards, direct marketing and catalogs?

[Overall level of satisfaction (mail)] Respondents: 1,720

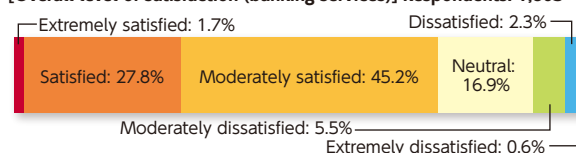


◇ Banking services (Satisfied: 74.7% Dissatisfied: 8.4%)

<Q37>

How satisfied are you overall with banking services at post offices?

[Overall level of satisfaction (banking services)] Respondents: 1,803

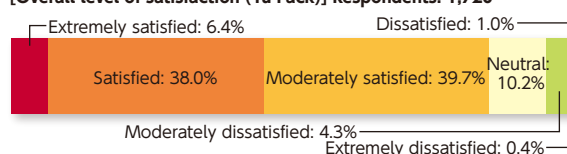


◇ Yu-Pack (Satisfied: 84.1% Dissatisfied: 5.7%)

<Q25>

How satisfied are you overall with Yu-Pack delivery services at post offices?

[Overall level of satisfaction (Yu-Pack)] Respondents: 1,720

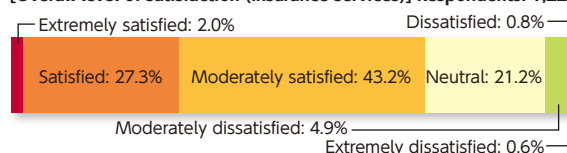


◇ Insurance services (Satisfied: 72.5% Dissatisfied: 6.3%)

<Q49>

How satisfied are you overall with insurance services at post offices?

[Overall level of satisfaction (insurance services)] Respondents: 1,221



*Graph figures have been rounded to one decimal place, so the total response rate may not add to 100.0%.

Survey results were outlined in a press release issued on the Japan Post Holdings Co., Ltd. website (<http://www.japanpost.jp/>) on March 21, 2012.

6. Japan Post Group CSR

1. Japan Post Group CSR Activities

Following privatization, the Japan Post Group clarified its position towards corporate social responsibility (CSR) that it adopted as a public enterprise, which stipulates issues to be systematically addressed in seven fields that include environmental conservation, social contribution, creating a people-friendly business environment, increasing customer satisfaction, compliance, information disclosure and boosting productivity.

At the Japan Post Group, CSR activities serve as a means of achieving the Group's management philosophy and ensuring sustainable growth.

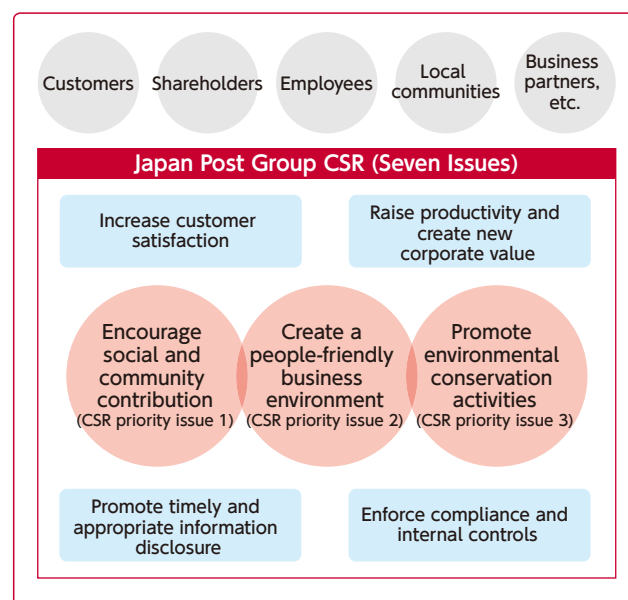
1. Seven CSR Issues Including Three Priority Issues

Of the seven CSR issues, four issues are what is expected of the Japan Post Group by customers and shareholders when the Group conducts business. Specifically, these are to increase customer satisfaction; raise productivity and create new corporate value; promote timely and appropriate information disclosure; and enforce compliance and internal controls. Explicit actions are to be undertaken independently and voluntarily by each Group company with a clear understanding that these are included within the scope of the Japan Post Group's CSR.

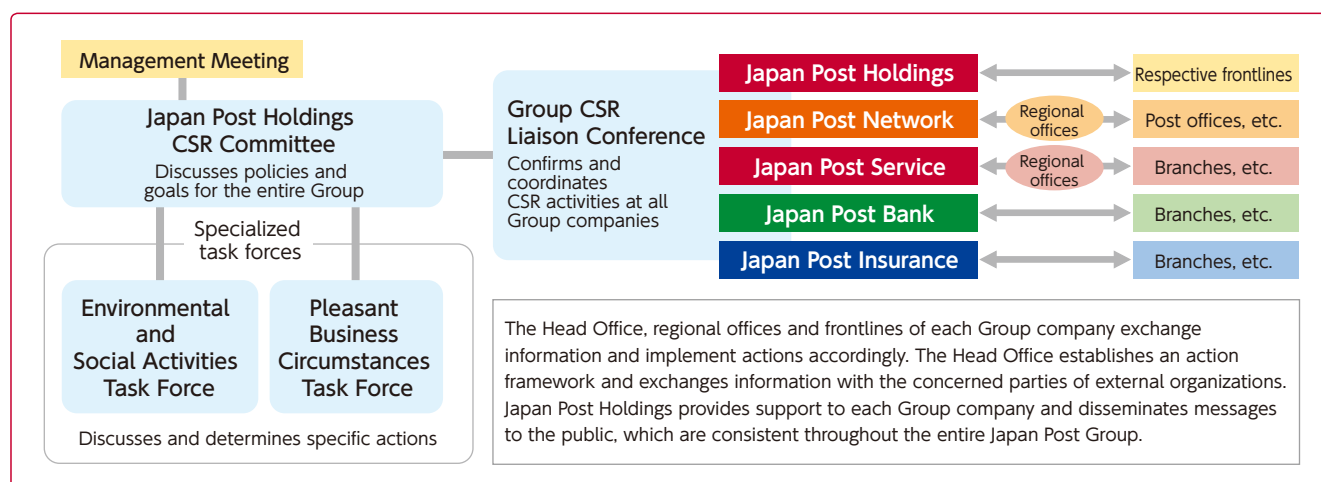
The remaining three, namely, encourage social and community contribution, create a people-friendly business environment and promote environmental conservation activities, are CSR priority issues shared among the Group companies. The Japan Post Group places particular emphasis on these issues, recognizing that these are the responsibility that the Group assumes as a provider of products and services to customers throughout the country and are essential in attaining sustainable growth from a medium- to long-term viewpoint.

Cognizant that these three CSR priority issues are our responsibility and an integral part of our business operations, we will strive to implement activities that have major significance and are recognized by many people over the long term. We will also work

to link these activities to enhancing the Group's brand strengths, turning such efforts into a source of increased competitiveness and the driving force behind sustainable growth.



2. Japan Post Group CSR Organization



2. Emergency Initiatives Undertaken in Fiscal 2012

During fiscal 2012, in addition to the existing three CSR priority issues of 1) encouraging social and community contribution, 2) creating a people-friendly business environment and 3) promoting environmental conservation activities, we adopted two emergency initiatives of providing support for disaster recovery and cooperating in power-saving efforts in response to the Great East Japan Earthquake that occurred on March 11, 2011. We created a Group slogan and channeled Group-wide efforts into these initiatives.

1. Group Slogan

Gambaru! Nippon ("Carry on, Japan!")

— Japan Post Group Network Supports Community Ties —

2. Emergency Initiatives

(1) Providing Support for Disaster Recovery

For details of our activities to support recovery from the disaster, please refer to "Our Response to the Great East Japan Earthquake" on pages 10 and 11.

(2) Cooperating in Power-Saving Efforts

■ Power-Saving Measures in Summertime

Under the guideline, "Electricity Supply-Demand Measures in Summertime," issued on May 13, 2011 by the Electricity Supply-Demand Emergency Response Headquarters, we implemented several power-saving measures to achieve the reduction target defined by the government. Our efforts included setting the temperature of air conditioners at 28°C, partial lighting and partial operation of elevators.

- Period: July 1 - September 30, 2011
- Subject facilities: All facilities of each Group company within the areas covered by Tokyo Electric Power Co., Inc. and Tohoku Electric Power Co., Inc.
- Reduction target (basic): A reduction of 15% or more from the previous year's level

As a result of our Group-wide efforts during the period, we successfully achieved the reduction target.

■ Implementation of "Super Cool Biz" Campaign

As part of efforts to save power during summertime, the Japan Post Group conducted a "Super Cool Biz" campaign, which is a step beyond the conventional "Cool Biz" practice, covering a longer period (from May 13 to October 31, 2011) and encouraging even more casual attire in the workplace. During the said power-saving period, post office and branch personnel were allowed to wear polo shirts at work.

At the same time, employees working at post offices and Japan Post Bank branches in the Tohoku and other regions wore polo shirts with a printed message, "Carry on Tohoku," to



Personnel of a post office in Miyagi Prefecture wearing polo shirts at work

show our support for disaster victims and our wish for the earliest recovery from the disaster.

■ Introduction of LED Lighting

As another measure to save power, we adopted more energy-efficient and longer-life LED lights at Japan Post Bank's ATM corners and common use spaces within *Kanpo no Yado* inns and our Head Office buildings to reduce peak-period power consumption. Each Group company will continue to increase the use of LED lights at their facilities.



Japan Post Bank's ATM section



Rafre Saitama

(3) Japan Post Group Fiscal 2012 CSR Activities Plan

Emergency initiatives in fiscal 2012:

Providing support for disaster recovery and cooperating in power saving efforts

Measures already taken in response to the Great East Japan Earthquake that occurred at the end of the previous fiscal year are also included as achievements.

[Providing support for disaster recovery]

1. Support for disaster victims immediately following the disaster
 - Quickly resuming mail delivery service in disaster-affected areas
 - Delivering mail to evacuation shelters
 - Counter services via dispatch of staff to evacuation shelters
 - Emergency withdrawal of deposits (up to ¥200,000/person)
 - Emergency and immediate insurance payments
 - Extending the grace period for premium payments
 - No commission fees on transfer of relief funds
 - No postal charge on mail sent by disaster victims
2. Providing counter services by mobile post offices
3. Allocation of donations (raised from sales of donation-added postage stamps and postcards)*1
4. Support by *Kanpo no Yado* inns (providing free meal and bath services, etc.)
5. Support by Teishin Hospitals (providing free health consultation services, etc.)
6. Support for fundraising for the Great East Japan Earthquake (by the Japan Post Fundraising Association)

[Cooperating in power saving efforts]

1. Monitoring the progress toward the achievement of the reduction target
2. Introduction of energy-saving equipment
3. Efforts to reduce the use of light, fuel and water
4. Introduction of ESCO businesses*2
5. Introduction of LED lighting
6. Power savings during summertime (e.g., setting the temperature of air conditioners at 28°C, etc.)
7. Allowing even more casual attire at work ("Super Cool Biz")

*1: For 2012 New Year's postcards, we increased the amount of donation per postcard from ¥3 to ¥5 and made a special allocation of funds to projects aimed at providing assistance for disaster victims of the Great East Japan Earthquake and for disaster prevention and recovery.

*2: ESCO businesses refer to projects conducted by Energy Service Companies, which provide comprehensive services, guarantee energy-saving effects and receive fees based on the amount of energy costs reduced through these energy-saving services.

3. Activities Related to CSR Priority Issues

1. Encourage Social and Community Contribution

Utilizing the Japan Post Group's network, we cooperate with local public entities to ensure the well-being of elderly people living in underpopulated areas by checking on them through the exchange of words during mail delivery as well as to protect children in their daily lives. We also provide support for disaster preparedness and assistance for disaster-affected areas, such as no postal charge on mail and money transfers sent for disaster relief purposes, and conduct education and enlightenment activities within local communities based on the line of business undertaken by each Group company.

Specific Activities

1. Promotion of Community Contribution

Network of 24,000 Post Offices

Japan Post Network has approximately 24,000 post offices in all of the 1,742 cities, districts, towns and villages nationwide, including underpopulated areas, encompassing all of Japan. These serve as locations offering one-stop service centers for mail, savings deposits, insurance and other basic everyday services, and are intricately connected with the local community.

We will offer our local customers new, convenient services through our post offices while continuing to use them as locations for these services in the future as well.

Provision of Himawari Service

Mail delivery personnel provides words of encouragement to elderly people living alone (who are 70 years old or older) and elderly couples in underpopulated areas (for 112 local governments as of the end of March 2011).

Promotion of Furusato (Hometown) Parcel

We display catalogs with products for which each locale nationwide is known and circulars with products closely related to the community at approximately 24,000 post office counters nationwide for customers to order from. We then ship these by Yu-Pack directly from the producing regions. Revenues from the sale of goods through catalogs were ¥93.7 billion in fiscal 2012 (up 5.6% year-on-year).

Handling of Work for Local Public Entities

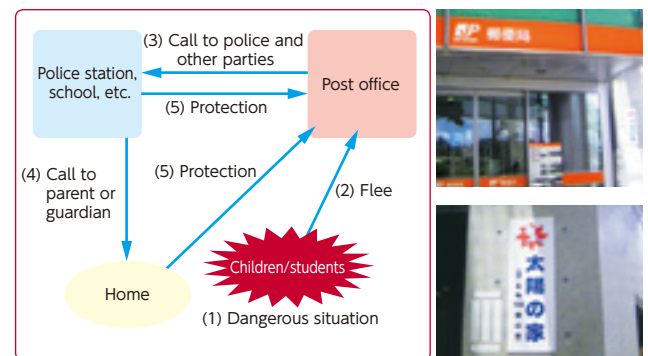
Designated post office counters provide administrative services, such as distribution of official family register transcripts, certificates of residency and other public certificates, and sell public bus tickets on consignment from local public entities.

Issuance of Pension Records on a Trial Basis

Under consignment from Japan Pension Service, we provide a service to issue pension records for customers by using the organization's *Nenkin Net* service at 204 post offices.

Emergency Assistance for Children

In order to prevent incidents and accidents involving children before they happen, post offices serve as a safe refuge for children, providing the first line of protection and making an emergency call to police.



Education and Enlightenment Activities

- Accepting children from local elementary schools for a post office tour
- Offering space within a post office lobby for community use
- Participating in local events, including Radio Exercise and other sports events

Collection of Used Ink Cartridges, etc.

We collect used ink cartridges jointly with six printer manufacturers. As of March 31, 2012, collection boxes have been installed at 3,639 post offices nationwide and certain facilities of local public entities.

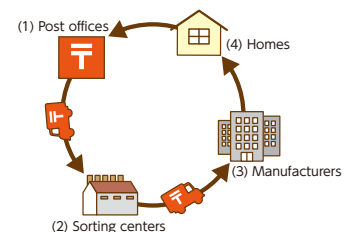
Used cartridges collected at these post offices and facilities are sent to sorting centers using our Yu-Pack service and then returned to the respective companies, which responsibly perform the recycling of these cartridges.

We also collect used or expired fire extinguishers and personal home computers at post offices or through our pickup service.

Special Collection Box



Collection Cycle



Promotion of Social Contribution

New Year's Postcard Donations Aid Program

Our New Year's postcard donations program celebrates its 63rd anniversary in fiscal 2013. A donation of ¥5 is added to each New Year's postcard, and funds raised through sales of these postcards are allocated to organizations engaged in activities in 10 fields, including the promotion of social welfare, healthy youth development, emergency disaster aid and disaster prevention, and global environmental conservation.

Donations of ¥784.67 million raised from sales of 2012 donation-added New Year's postcards and postage stamps (including donation-added carbon offset New Year's postcards) were distributed to 331 organizations.

Reduced Postal Rates or No Charge for Third- and Fourth-Class Mail

We apply reduced rates or no charge for regular periodicals that are published more than four times each year and have been approved by Japan Post Service (third-class mail) and on materials sent for the purpose of promoting public welfare or academic research (fourth-class mail). Examples of such fourth-class mail include correspondence education materials, Braille materials, sound recordings intended solely for the use of the visually impaired, plants and seeds, and academic publications.

Japan Post Bank Deposits for International Aid

Customers donate a total of 20% of the interest received on their savings (after-tax) to Japan Post Bank. The donations are then transferred to the Japan Post Bank/Japan International Cooperation Agency (JICA) International Aid Fund. Subsequently, through the JICA Donation Fund for the People of the World, these resources are used to improve the lives of people in developing countries and regions and in other areas such as environmental preservation via non-governmental organizations (NGOs) and other groups.

As of March 31, 2012, we have received approximately 410,000 applications since we began handling this program on October 1, 2008 and have donated a total of approximately ¥5.25 million to the JICA fund.



Piggy Bank Design Contest for Children

With the objectives of increasing children's interest in saving and fostering their artistic creativity by making piggy banks, we hold an original piggy bank design contest for children, the leaders of tomorrow's society. For the 36th contest held during fiscal 2012, we received about 810,000 entries from 11,719 elementary schools across Japan. Japan Post Bank donated ¥10 for every piggy bank entry received (approximately a total of ¥8.11 million) to the Japan Committee for UNICEF to provide support for children and their families affected by the Great East Japan Earthquake.

Special Support for Junior Go Grand Master Tournament

To foster intergenerational exchange and local revitalization

along with supporting children who will take the lead in the next generation, we provide special support to a *Junior Go Grand Master Tournament* (sponsored by the Mainichi Newspapers, co-sponsored by the National Children's Go Association, supported by the Nihon Ki-in and the Kansai Ki-in and cooperated by Japan Post Network).

In the tournament, which celebrated its 15th anniversary in fiscal 2012, about 3,000 amateur Go players, who are children of junior high school age or younger, competed for the top position in Japan.

A regional competition was held at 14 venues across the country during the period from February to March 2012. A total of 38 players, including 32 winners and six selected among the best players in the regional competition participated in the national tournament held in March 2012 and fully demonstrated their Go skills.

Popularizing and Promoting Radio Exercise

With the objective of proactively contributing to the health of people, we work with NHK (Japan Broadcasting Corporation) and Japan Radio-taiso Federation, a non-profit organization to popularize and promote the Radio Exercise program, by jointly holding the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") and Radio Exercise and *Minna no Taiso* Summer Tour and Special Tour.



Radio Exercise and *Minna no Taiso* Special Tour (Osaki City, Miyagi Prefecture)

Supporting Sports Events

We co-sponsored the interscholastic athletic meet (National High School Athletic Meet) held in northern Tohoku (for 23 cities and towns in the four prefectures of Aomori, Iwate, Akita and Miyagi) from July 28 to August 20, 2011.

Support for the JAPAN U-12 FOOTBALL CHAMPIONSHIP

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

Supporting Projects for the Promotion of Social Welfare

We do not charge postage (including handling fees) on registered mail used to send donations to corporations or organizations specialized in the promotion of social welfare, such as regional Community Chests, the Central Community Chest of Japan and the Japanese Red Cross Society, or commission fees on donations made to transfer accounts by means of money transfer.

Japan Post Insurance Health Promotion Living Symposium

We sponsor a symposium on promoting a healthy life to convey relevant information to a broad audience in society. In fiscal 2012, the symposium and panel discussions were held in Nakano-ku, Tokyo, and in Sapporo City, Hokkaido, with former speed skater Shimizu Hiroyasu giving the keynote speech.



Japan Post Insurance Health Promotion Living Symposium 2012 (in Tokyo)

“Kanpo Kids Smile World”

We hold childcare support events with the aim of nurturing the sound growth of children. In fiscal 2012, we conducted an event in Bunkyo-ku, Tokyo, and presented information on child-rearing support provided by Bunkyo-ku and neighbor local governments. The event also hosted a talk on stage with the mayor of Bunkyo-ku, who was the first mayor to take childcare leave, and various fun programs enjoyed by both parents and children.



Snapshot of a Kids Smile Stage program

3. Support for Disaster Preparedness and Assistance for Disaster-Affected Areas

Emergency Assistance for Disaster Victims

Upon the occurrence of a natural or other emergency disaster, we provide emergency services for disaster victims, including emergency handling of deposits, at post office counters and other places.

	Major Activities
Postal	<ul style="list-style-type: none"> • Offering postcards free of charge to disaster victims • No postal charge on mail sent by disaster victims • No postal charge on registered or other mail used to send relief funds to organizations engaged in disaster relief activities for disaster victims • Providing information concerning damage on roads, etc.
Savings	<ul style="list-style-type: none"> • No commission fees on donations made to transfer accounts of the Japanese Red Cross Society, regional Community Chests and local public entities for the purpose of disaster relief • Emergency withdrawal of deposits for disaster victims who have lost their passbooks
Insurance	<ul style="list-style-type: none"> • Extending the grace period for premium payments • Emergency and immediate payments of insurance and other benefits
Accommodation	<ul style="list-style-type: none"> • Free meal and bathing services by <i>Kanpo no Yado</i> inns

Disaster Prevention Agreements

We continue to conclude disaster prevention agreements at the request of local public entities.

As an effort to cooperate in the prevention of landslides and damage in mountainous areas, we are, putting up posters and handing out leaflets on soil and water conservation, and installing rain gauges and rain gauge displays.

2. Create a People-Friendly Business Environment

As an operator with a nationwide network of business and service bases, the Japan Post Group has been adopting a comprehensive universal design approach to planning and designing its facilities, equipment and services to ensure usability and friendliness for the widest group of customers, including elderly people and persons with disabilities.

We have also been making efforts to create a better working environment for our employees who play a crucial role in supporting our business operations.

Specific Activities

Transitioning to Barrier-free Facilities

We have been promoting the conversion of post offices and branch buildings into barrier-free facilities and have made 8,360 post offices barrier-free as of March 31, 2012. To ensure safe accessibility for every customer, we will continue to encourage renovation based on a view of universal design, for example, by installing ramps and handrails at the entrances of post offices and laying Braille blocks for visually impaired customers.



Braille blocks



Parking for physically challenged customers

Pension Delivery Service

We provide a service to deliver pension and other benefits to advanced-age or physically challenged pensioners who have difficulty in coming to the counter to receive payments. This home delivery service is conducted periodically as the payment of these benefits is made by the government.

Services Available in Braille

We provide a range of services in Braille for visually impaired customers.

	Services
Postal	<ul style="list-style-type: none"> • Displaying mail pickup times in Braille • Delivery notices in Braille to recipients during their absence
Savings	<ul style="list-style-type: none"> • Braille notices of the content of deposits and money transfers, etc. • Equipping ATMs with Braille instructions • Issuing Braille ATM cards • Product and service pamphlets in Braille
Insurance	<ul style="list-style-type: none"> • Braille notices of the content of insurance agreements • Various notices in Braille (e.g., insurance maturity dates, pension payments and loan contents, etc.)

Braille Yu-Pack, Yu-Pack for the Hearing Impaired and Yu-Mail for Persons with Disabilities

Lower shipping fees are applied for Yu-Pack for sending large Braille books and other Braille materials; Yu-Pack used to send videotapes and other recorded materials between hearing-impaired persons and facilities approved by Japan Post Service; and Yu-Mail used to send books between persons with disabilities and libraries registered with Japan Post Service.

Offering Blue Bird Postcards Free of Charge (Conducted Annually Since 1976)

We provide 20 standard postcards (plain, inkjet printing or dimpled postcards) free of charge to severely physically challenged individuals (class 1 or 2) or severely mentally challenged individuals (level 1 or 2, or holding grade A intellectual disability certificates), who have requested this service. These 20 postcards are provided in an originally designed envelope featuring a blue bird illustration.

Postcards with Indentations (Dimpled Postcards) for the Visually Impaired

These are postcards with a semi-circular indentation in the lower left corner on the front side of the postcard, which makes it easy to distinguish the front or back and the top or bottom of the postcard. We sell dimpled postcards at our branches nationwide and deliver them to residences when requested by customers.



New Welfare Time Deposits

This is a one-year fixed time deposit with a preferential interest rate for persons with disabilities or surviving relatives who are receiving a public pension, such as basic disability pension and survivors' basic pension, or child-rearing allowance. Up to ¥3 million can be deposited per person.

3. Promote Environmental Conservation Activities

The Japan Post Group has laid out its Environmental Vision for the period from fiscal 2009 to fiscal 2013 and has been conducting various activities with a strong focus on two areas, namely, implementing measures against global warming and promoting the cultivation of sustainable forests.

■ Japan Post Group Environmental Vision

- The Japan Post Group recognizes its responsibility to pass on to future generations the beautiful and livable Earth and will seek to conserve the global and regional environment as one of the important Group management issues. We will observe laws, regulations and other agreements and endeavor to prevent pollution or other environmental issues that may arise from our execution of business.
- The Japan Post Group will monitor the status of the global and regional environment and the environmental impact of our business operations, define specific targets and constantly refine our activities by reviewing these targets on a regular basis. We will designate the following items as the highest priority among the environmental activities and undertake innovative initiatives in each field.

(1) Implementation of Global Warming Response Measures
We will define total numerical targets for reduction in CO₂ emissions* from our business operations, while building and enforcing a systematic carbon management strategy to appropriately manage direct and indirect CO₂ emissions.

(2) Promoting the Cultivation of Sustainable Forests
We will define total numerical targets for reduction in paper usage and contribute to the cultivation of sustainable forests both through our business activities and social contribution activities.

• In addition to voluntary environmental efforts incorporated into our business activities, we will capitalize on the diverse range of businesses undertaken by the Japan Post Group and our ability to collaborate with customers nationwide to assist in environmental conservation efforts through the provision of products and promotion of social contribution activities.

• Each company in the Japan Post Group will share this Environmental Vision and proactively disclose its contents together with other environment-related information.

* Our Environmental Vision only covers energy-derived CO₂ emissions.

(1) Implementing Global Warming Response Measures

The Japan Post Group aims to reduce CO₂ emissions by 9% (from fiscal 2007 level) over five years from fiscal 2009 to fiscal 2013.

(2) Promoting the Cultivation of Sustainable Forests

Each of the Japan Post Group companies is working to identify operations that use a large quantity of copy paper and implementing a system for reducing paper consumption. Our efforts include promoting double-sided copying, making reduced-size copies, using the backsides of paper and reducing meeting handout materials.

We have also launched a Japan Post Forest program, under which employee volunteers undertake tree planting activities, and have been providing support to a children's tree planting campaign, which is designed to engender sound environmental awareness in children and help them to be strong and bold in their lives by taking part in this comprehensive forest cultivation program.

As shown above, we promote the cultivation of sustainable forests both through our business activities and social contribution activities.



Employee volunteers clearing underbrush



Children and their parents planting oak seedlings

Specific Activities

Reduction of CO₂ Emissions

We strive to reduce CO₂ emissions through a range of initiatives, including promoting energy-saving awareness among employees.

Promotion of Environmentally Friendly Facilities

We introduce environmentally friendly energy-saving measures when constructing new or additional buildings for branches or conducting large-scale renovations.

We have also conducted energy conservation evaluations at facilities with high levels of CO₂ emissions and energy usage and are examining the feasibility of ESCO (Energy Service Companies) businesses as part of our efforts to introduce energy-saving facilities using subsidies.

Acquisition of ISO 14001 Certification

We attained ISO 14001 certification, the international standard for environmental management systems, in March 2007 when we were operating as Japan Post. Since then, 71 post offices, 85 Japan Post Service branches and 27 Japan Post Bank branches have obtained certification renewal and remained ISO 14001 compliant.

Introducing Electric and Other Eco-friendly Vehicles at Post Offices and Branches

We are deploying eco-friendly vehicles, namely, electric vehicles (EVs) and hybrid vehicles (HVs), to achieve a significant reduction in the amount of CO₂ emitted from vehicles.

Japan Post Network began introducing EVs on a trial basis in November 2009 and is using EVs at 17 post offices nationwide (as of March 31, 2012).

At Japan Post Service, we have been introducing charging stations at branches within Kanagawa Prefecture. Consequently, we have deployed 40 EVs and 10 plug-in hybrid vehicles (PHVs) for general or commercial use primarily to these branches (as of March 31, 2012).

Eco-friendly Driving

We encourage well-mannered, eco-friendly driving to reduce the number of traffic accidents and lower CO₂ emissions through lower fuel consumption.

Japan Post Service strives to raise "Safe Eco-Driving" awareness among mail delivery and sales personnel nationwide through various initiatives, such as holding an in-house driving contest.

Carbon Offset Postcard Donations Support Program

We issue donation-added carbon offset New Year's postcards and summer greeting postcards (Kamo-Mail) and maintain a pool of funds raised through sales of these postcards plus a donation made by Japan Post Service, which is equal to one half of the total amount raised. From this pool of funds, we distribute a certain amount to Japanese non-profit organizations (NPOs) specialized in environmental conservation efforts. The remaining amount is used to purchase or retire Certified Emission Reduction (CER) credits earned through the implementation of the UN-certified Clean Development Mechanism (CDM) projects in developing countries, or to purchase or cancel credits earned from projects in Japan designed to reduce or remove greenhouse gases under the J-VER (Verified Emission Reduction) scheme. (In fiscal 2013, we will distribute a total of ¥91.42 million to 17 organizations.)

Separate from the above, we provide aid to forest cultivation projects and other carbon reduction activities and educational programs. In this way, we are contributing to the achievement of a 6% reduction in Japan's greenhouse gas emissions stipulated under the Kyoto Protocol.

We have acquired the Carbon Offset Certification Label under a program established by the Ministry of the Environment, for our carbon offset postcards. In fiscal 2012, our carbon offset postcards were again certified as an offset supporting (donation-type) product in the self-action category.

Participating in the United Nations Global Compact

Representing the Japan Post Group, Japan Post Holdings Co., Ltd. has joined the United Nations Global Compact and declared both internally and externally to take proactive action that embraces the spirit of the Global Compact.

* The United Nations Global Compact

The Global Compact is a voluntary initiative launched by the United Nations, encouraging companies worldwide to observe and enforce the ten principles in the areas of human rights, labor, the environment and anti-corruption within their sphere of influence. Companies signing the Global Compact take part in this initiative based on the commitment of top management.

Corporate Data

CONTENTS

1. Japan Post Group Management Philosophy, etc.

1. Group Management Philosophy	90	3. Japan Post Group Charter of Corporate Conduct	90
2. Group Management Policy	90		

2. Outline of Japan Post Holdings Co., Ltd.

1. Company Outline	91	5. Organization Chart	93
2. Information on Shares.....	91	6. Principal Subsidiaries and Affiliates of Japan Post Holdings	94
3. Number of Employees	91	7. Teishin Hospitals.....	95
4. List of Directors, Executive Officers and Management Committees	92	8. Hotels	96

3. Outline of Japan Post Network Co., Ltd.

1. Company Outline	98	6. Organization Chart	100
2. Management Philosophy	98	7. Names and Locations of Regional Offices.....	101
3. Information on Shares.....	98	8. Post Offices by Prefecture	102
4. Number of Employees	98	9. Outline of Subsidiaries	103
5. List of Directors, Auditors and Executive Officers	99		

4. Outline of Japan Post Service Co., Ltd.

1. Company Outline	104	8. Number of Offices by Prefecture	107
2. Management Philosophy	104	9. Principal Subsidiaries	108
3. Information on Shares.....	104	10. Number of Post Boxes	108
4. Number of Employees	105	11. Outsourcing	108
5. List of Directors, Auditors and Executive Officers	105	12. Number of Locations Selling Postage Stamps and Revenue Stamps	109
6. Organization Chart	106	13. Number of Vehicles Owned	109
7. Names and Locations of Regional Offices.....	107		

5. Outline of Japan Post Bank Co., Ltd.

1. Company Outline	110	6. Organization Chart.....	112
2. Management Philosophy	110	7. Principal Business Locations	113
3. Information on Shares.....	110	8. Japan Post Bank Offices by Prefecture	113
4. Number of Employees	110	9. Number of ATMs by Prefecture	114
5. List of Directors, Executive Officers and Management Committees	111	10. Outline of Affiliated Company	114

6. Outline of Japan Post Insurance Co., Ltd.

1. Company Outline	115	6. Organization Chart	117
2. Management Philosophy	115	7. Principal Branches (Regional Control Offices)	118
3. Information on Shares.....	115	8. Outline of Subsidiary	118
4. Number of Employees	116		
5. List of Directors, Executive Officers and Management Committees	116		

1. Japan Post Group Management Philosophy, etc.

1 Group Management Philosophy

Stressing the security and confidence that Japan Post, as a public organization, has fostered, the Group, as a private corporation, will demonstrate creativity and efficiency to the greatest extent possible, meet customers' expectations, raise customer satisfaction and grow together with customers. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

2 Group Management Policy

1. We will duly consider our customers' viewpoints, exercise our creativity and provide through our nationwide network a selection of products and services that customers truly appreciate.
2. We will establish effective corporate governance and compliance programs, including internal audits and internal controls.
3. We will maintain the transparency of the Group's operations through the timely and proper disclosure of information, the appropriate use of intra-group transactions and other activities.
4. We will create opportunities for all employees, business partners and the community to grow and develop through mutual cooperation.

3 Japan Post Group Charter of Corporate Conduct

(1) Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

(2) Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

(3) Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

(4) Create value

- We provide valued and high-quality services that exceed customers' expectations.
- We create value consistently by pursuing greater operating efficiency.
- We play a role as individual employees to create corporate value by promoting mutual understanding and cooperation.

(5) Be a source of change

- We make improvements by responding swiftly to changes and emphasizing speed.
- We exercise our creativity from a broad viewpoint and lofty perspective.
- We aggressively take on the challenge of conducting global business activities.

2. Outline of Japan Post Holdings Co., Ltd.

1 Company Outline

Company name (in Japanese):	Nippon Yusei Kabushiki Kaisha
Company name:	JAPAN POST HOLDINGS Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	January 23, 2006
Legal basis:	Established under the Japan Post Holdings Co., Ltd. Act (Law No. 98 of October 21, 2005)
Lines of business:	Management of Group companies

2 Information on Shares

1. Number of Shares

Authorized number of shares	600,000,000
Total shares issued	150,000,000
Number of shareholders as of the end of fiscal 2012	One

2. Shareholder

Minister of Finance	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

3. Information on Rights to Purchase New Shares, etc.

None outstanding

3 Number of Employees

3,207* (as of March 31, 2012)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Holdings Co., Ltd. Excludes temporary employees.

(As of July 1, 2012)

1. Directors

Chairman (Outside)	Takashi Nishioka (Concurrently holds the positions of Senior Advisor of Mitsubishi Heavy Industries, Ltd., and Chairman of the Board of Mitsubishi Motors Corporation)
President & CEO (Representative Executive Officer)	Jiro Saito (Concurrently holds the positions of Director of Japan Post Network Co., Ltd., Director of Japan Post Service Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Executive Vice President (Representative Director)	Atsuo Saka
Executive Vice President (Representative Director)	Yoshiyuki Izawa (Concurrently holds the position of President & CEO of Japan Post Bank Co., Ltd.)
Executive Vice President (Representative Director)	Toshinari Takai
Executive Vice President (Representative Director)	Seijiro Adachi
Executive Vice President (Representative Director)	Toshio Nagashima
Director (Outside)	Hiromitsu Ishi (Concurrently holds the position of Professor Emeritus at Hitotsubashi University)
Director (Outside)	Hidekazu Inoue (Concurrently holds the position of Director of Japan Post Network Co., Ltd.; formerly held the position of President of Nippon Telegraph and Telephone East Corporation)
Director (Outside)	Taro Irimajiri (Concurrently holds the position of President & CEO of Irimajiri Group Inc.)
Director (Outside)	Tadashi Okamura (Concurrently holds the positions of Chairman of the Japan Chamber of Commerce and Industry and Advisor to the Board of Toshiba Corporation)
Director (Outside)	Hiroshi Okuda (Concurrently holds the position of Governor of Japan Bank for International Cooperation)
Director (Outside)	Goro Kamino (Concurrently holds the position of President of SALA Corporation)
Director (Outside)	Kiyohiko Koike (Concurrently holds the position of Mayor of Kamo City (Niigata Prefecture))
Director (Outside)	Koichi Sugiyama (Formerly held the position of Executive Vice President of Mitsubishi Heavy Industries, Ltd.)
Director (Outside)	Ayako Sono (Novelist)
Director (Outside)	Akio Harada (Attorney-at-law)
Director (Outside)	Shingo Matsuo (Concurrently holds the position of Honorary Advisor of Kyushu Electric Power Co., Inc.)
Director (Outside)	Takao Watanabe (Concurrently holds the positions of Chairman of Nishijin Textile Industrial Association and President of Watabun Co., Ltd.)

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Directors)

Senior Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Network Co., Ltd.)	Toru Takahashi	Managing Executive Officer (Concurrently holds the position of Deputy President of Japan Post Insurance Co., Ltd.)	Toshihisa Minakata
Senior Managing Executive Officer	Hideharu Sasaki	Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Bank Co., Ltd.)	Susumu Tanaka
Senior Managing Executive Officer	Eisuke Fujimoto	Managing Executive Officer (Concurrently holds the position of Senior Executive Officer of Japan Post Service Co., Ltd.)	Junichiro Miyazaki
Senior Managing Executive Officer (Concurrently holds the position of Executive Vice President of Japan Post Service Co., Ltd.)	Yoshiro Nakajo	Executive Officer	Tetsuhiko Yoshizawa
Senior Managing Executive Officer (Concurrently holds the position of Executive Vice President of Japan Post Network Co., Ltd.)	Chikanori Saio	Executive Officer	Hisao Yamano
Managing Executive Officer	Masatoshi Shinoda	Executive Officer	Kimihiko Oku
Managing Executive Officer (Concurrently holds the position of Senior Executive Officer of Japan Post Service Co., Ltd.)	Takao Miwa	Executive Officer	Susumu Inoue
Managing Executive Officer	Kunio Tanigaki	Executive Officer	Noboru Ichikura
Managing Executive Officer (Concurrently holds the position of Senior Executive Officer of Japan Post Service Co., Ltd.)	Masayuki Nakayama	Executive Officer	Hidetaka Saito

3. Nomination Committee

Chairperson	Hiroshi Okuda
Member	Hidekazu Inoue
Member	Tadashi Okamura
Member	Jiro Saito
Member	Atsuo Saka

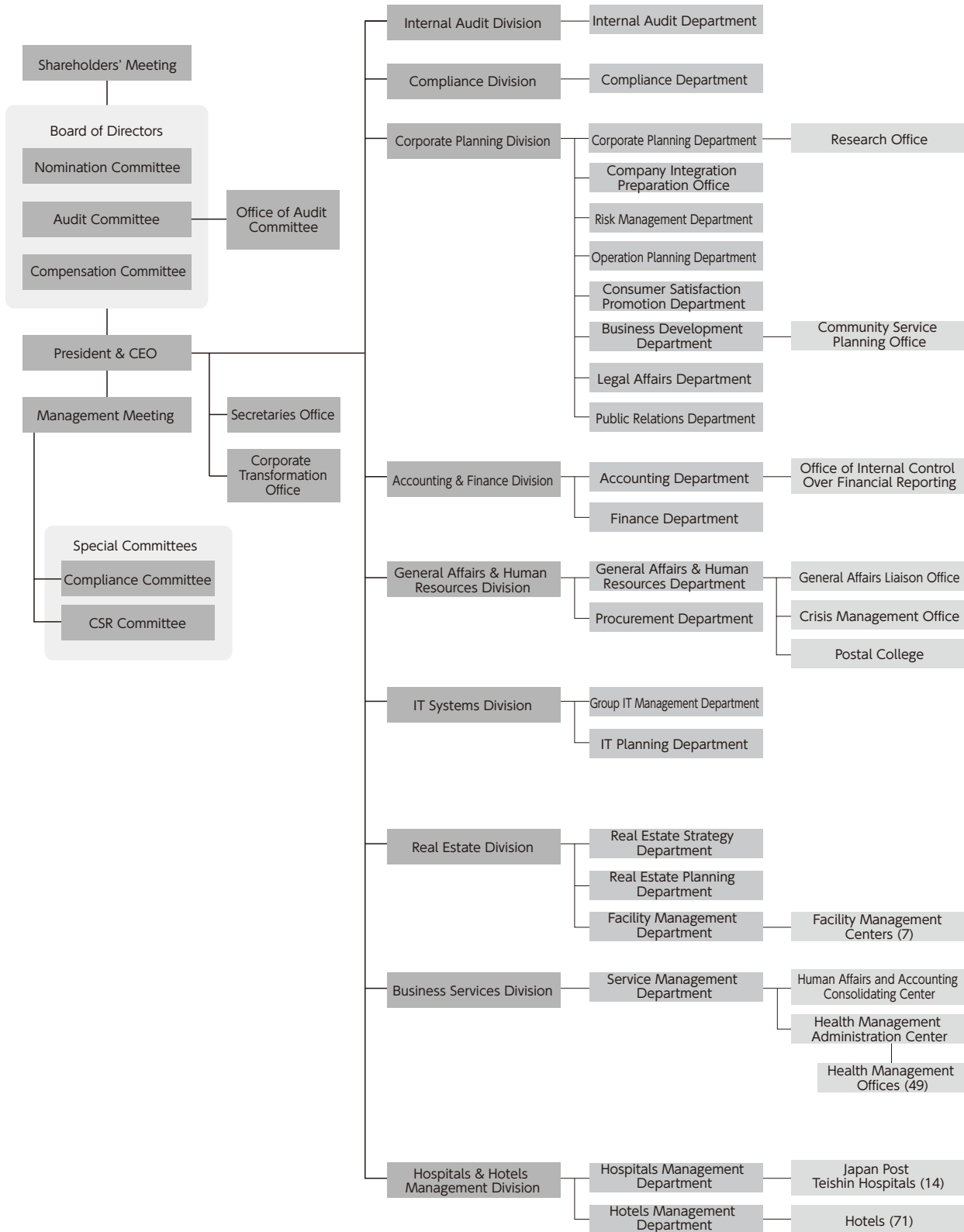
4. Audit Committee

Chairperson	Hiromitsu Ishi
Member	Hidekazu Inoue
Member	Koichi Sugiyama

5. Compensation Committee

Chairperson	Hiroshi Okuda
Member	Tadashi Okamura
Member	Takashi Nishioka
Member	Jiro Saito
Member	Atsuo Saka

(As of July 1, 2012)



6

Principal Subsidiaries and Affiliates of Japan Post Holdings

(As of March 31, 2012)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	Japan Post Network Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000	Post office counter-related business	October 1, 2007	100.0% (0.0%)
	Japan Post Service Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000	Postal and parcel delivery operations	October 1, 2007	100.0% (0.0%)
	Japan Post Bank Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	100.0% (0.0%)
	Japan Post Insurance Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	100.0% (0.0%)
	Japan Post Staff Co., Ltd.	Chuo-ku, Tokyo	¥140	Contract staffing service	July 3, 2007	100.0% (0.0%)
	Yusei Challenged Co., Ltd.	Setagaya-ku, Tokyo	¥5	Office cleaning, others	November 20, 2007	100.0% (0.0%)
	Japan Post Hotel Service Co., Ltd.	Saitama-shi, Saitama	¥39	Hotel management operations	December 26, 1996	100.0% (0.0%)
	Japan Post Information Technology Co., Ltd.	Minato-ku, Tokyo	¥30	Communication network maintenance and management	January 30, 1987	100.0% (0.0%)
	Post Office Business Support Co., Ltd.*	Koto-ku, Tokyo	¥100	Merchandise business, contracting business for merchandise operations	September 11, 2007	100.0% (100.0%)
	Japan Post Building Management Co., Ltd.	Minato-ku, Tokyo	¥150	Building operation management	April 1, 2011	100.0% (100.0%)
	JP Logi Service Co., Ltd.	Chuo-ku, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6% (67.6%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	58.5% (58.5%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Product development of direct media	February 29, 2008	51.0% (51.0%)
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0% (100.0%)
	JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0% (60.0%)
	Japan Post Insurance System Solutions Co., Ltd.	Shibuya-ku, Tokyo	¥60	Commissioned design, development, maintenance and operation of information systems for the life insurance business and others	March 8, 1985	100.0% (100.0%)
Affiliated companies accounted for under the equity method	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Bank agency operations	May 28, 1980	45.0% (45.0%)

Note: The figures in parentheses in the column showing percentage ownership of voting rights indicate the percentage of indirect ownership through consolidated subsidiaries.

* Post Office Business Support Co., Ltd. changed its company name to Japan Post Network Trading Service Co., Ltd. on April 1, 2012.

Name of facility	Location	Telephone number
Sapporo Teishin Hospital	1-5-1, Kawazoe 14-jo, Minami-ku, Sapporo, Hokkaido 005-8798	011-571-5103
Sendai Teishin Hospital	5-1, Chuo 4-chome, Aoba-ku, Sendai, Miyagi 980-8798	022-268-3150
Yokohama Teishin Hospital	13-10, Nishi Kanagawa 1-chome, Kanagawa-ku, Yokohama, Kanagawa 221-8798	045-321-4782
Tokyo Teishin Hospital	14-23, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-8798	03-5214-7111
Niigata Teishin Hospital	2-8, Yachiyo 2-chome, Chuo-ku, Niigata, Niigata 950-8798	025-244-4700
Toyama Teishin Hospital	2-29, Kashima-machi 2-chome, Toyama, Toyama 930-8798	076-423-7727
Nagoya Teishin Hospital	2-5, Izumi 2-chome, Higashi-ku, Nagoya, Aichi 461-8798	052-932-7151
Kyoto Teishin Hospital	109, Nishi Rokkakuchō, Shinmachi Nishiiru, Rokkakutori, Nakagyo-ku, Kyoto, Kyoto 604-8798	075-241-7167
Osaka Kita Teishin Hospital	1-6, Nakazaki 1-chome, Kita-ku, Osaka, Osaka 530-8798	06-6361-2071
Kobe Teishin Hospital	2-43, Kami-tsutsui Dori 6-chome, Chuo-ku, Kobe, Hyogo 651-8798	078-232-7519
Hiroshima Teishin Hospital	19-16, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8798	082-224-5350
Tokushima Teishin Hospital	19-2, Iga-cho 3-chome, Tokushima, Tokushima 770-8798	088-623-8611
Fukuoka Teishin Hospital	6-11, Yakuin 2-chome, Chuo-ku, Fukuoka, Fukuoka 810-8798	092-741-0300
Kagoshima Teishin Hospital	12-1, Shimo Ishiki 1-chome, Kagoshima, Kagoshima 890-8798	099-223-6013

(As of July 1, 2012)

1. Kanpo no Yado Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
1	Otaru	2-670, Asarigawa Onsen, Otaru, Hokkaido 047-0192	0134-54-8511	21	Kazeru Otaru Annex
2	Tokachigawa	9-1, Kita, Tokachigawa Onsen, Otofuke-cho, Kato-gun, Hokkaido 080-0262	0155-46-2141	43	
3	Ichinoseki	147-5, Horyu, Genbi-cho, Ichinoseki, Iwate 021-0101	0191-29-2131	55	
4	Yokote	1-20, Shiotsuke, Mutsunari, Yokote, Akita 013-0008	0182-32-5055	42	
5	Matsushima	89-53, Minami-Akasaki, Nobiru, Higashi-Matsushima, Miyagi 981-0411	—	54	Operations currently suspended*2
6	Sakata	17-26, Iimoriyama 3-chome, Sakata, Yamagata 998-8588	0234-31-4126	39	
7	Koriyama	3-198, Atami, Atami-machi, Koriyama, Fukushima 963-1380	024-984-3511	36	
8	Iwaki	60, Shibazaki, Tairafujima, Iwaki, Fukushima 970-0103	0246-39-2670	59	
9	Oarai	7986-2, Isohama-cho, Oarai-machi, Higashi-Ibaraki-gun, Ibaraki 311-1301	029-267-3191	52	
10	Itako	1830-1, Mizuhara, Itako, Ibaraki 311-2404	0299-67-5611	58	
11	Shiobara	1256, Shiobara, Nasushiobara, Tochigi 329-2921	0287-32-2845	39	
12	Tochigi Kitsuregawa Onsen	5296-1, Kitsuregawa, Sakura, Tochigi 329-1412	028-686-2822	53	
13	Kusatsu	464-1051, Kusatsu, Kusatsu-machi, Agatsuma-gun, Gunma 377-1794	0279-88-5761	48	
14	Isobe	22, Gobara, Annaka, Gunma 379-0135	027-385-6321	51	
15	Yorii	2267, Sueno, Yorii-machi, Osato-gun, Saitama 369-1205	048-581-1165	51	
16	Kamogawa	1137, Nishi-cho, Kamogawa, Chiba 296-0043	04-7092-1231	101	
17	Asahi	2280-1, Nittama, Asahi, Chiba 289-2525	0479-63-2161	61	
18	Katsuura	2183-5, Ubara, Katsuura, Chiba 299-5243	0470-76-3011	50	
19	Ome	668-2, Komaki-cho 3-chome, Ome, Tokyo 198-0053	0428-23-1171	52	
20	Hakone	159, Motohakone, Hakone-machi, Ashigarashimo-gun, Kanagawa 250-0522	0460-84-9126	29	
21	Isawa	348-1, Matsumoto, Isawa-cho, Fuefuki, Yamanashi 406-0021	055-262-3755	54	
22	Kashiwazaki	2-15, Kotobuki-cho, Kashiwazaki, Niigata 945-0846	—	—	Temporarily closed
23	Suwa	15-16, Owa 2-chome, Suwa, Nagano 392-0001	0266-52-1551	36	
24	Atami (Main Building)	12-3, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	159	
	Atami (Annex)	13-77, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	45	
25	Shuzenji	1257-4, Kumasaka, Izu, Shizuoka 410-2411	0558-72-3151	32	
26	Izukogen	1104-5, Yawatano, Ito, Shizuoka 413-0232	0557-51-4400	59	
27	Toyama	5691-2, Hane, Fuchu-machi, Toyama, Toyama 939-2694	076-469-3135	40	
28	Yamashiro	32-1, Onsen-dori, Yamashiro Onsen, Kaga, Ishikawa 922-0254	0761-77-1600	46	
29	Fukui	43-17, Fuchi-machi, Fukui, Fukui 918-8026	0776-36-5793	33	
30	Yaizu	1375-2, Hamatome, Yaizu, Shizuoka 425-8533	054-627-0661	40	
31	Hamanako-Mikkabi	2977-2, Tsuzuki, Mikkabi-cho, Kita-ku, Hamamatsu, Shizuoka 431-1496	053-526-1201	41	
32	Sangané	1-221, Nyukaizan, Higashihazu-cho, Nishio, Aichi 444-0701	0563-62-2650	32	
33	Chita-Mihama	39, Suhara, Okuda, Mihama-cho, Chita-gun, Aichi 470-3233	0569-87-1511	42	
34	Ena	2709, Oi-cho, Ena, Gifu 509-7201	0573-26-4600	54	
35	Gifu-Hashima	1041, Uaminami, Kuwabara-cho, Hashima, Gifu 501-6323	058-398-2631	40	
36	Toba	1200-7, Arashima-cho, Toba, Mie 517-0021	0599-25-4101	58	
37	Kumano	1020-7, Ido-cho, Kumano, Mie 519-4324	0597-89-4411	27	
38	Hikone	3759, Matsubara-cho, Hikone, Shiga 522-0002	0749-22-8090	41	
39	Maizuru	224-5, Ueyasu, Maizuru, Kyoto 624-0912	—	—	Temporarily closed
40	Tondabayashi	880-1, Ryusen, Tondabayashi, Osaka 584-0053	0721-33-0700	43	

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
41	Yamatoheguri	16-1, Kamisho 2-chome, Heguri-cho, Ikoma-gun, Nara 636-0905	0745-45-0351	34	
42	Nara	9-1, Nijo-cho 3-chome, Nara, Nara 630-8002	0742-33-2351	40	
43	Shirahama	1688-2, Shirahama-cho, Nishimuro-gun, Wakayama 649-2211	0739-42-2980	31	
44	Kii-Tanabe	24-1, Mera, Tanabe, Wakayama 646-8501	0739-24-2900	52	
45	Arima	1617-1, Arima-cho, Kita-ku, Kobe, Hyogo 651-1401	078-904-0951	53	
46	Ako	883-1, Misaki, Ako, Hyogo 678-0215	0791-43-7501	50	
47	Awajishima	824, Toshima, Awaji, Hyogo 656-1711	0799-82-1073	40	
48	Kaike	1-7, Kaikeshinden 3-chome, Yonago, Tottori 683-0002	0859-33-4421	35	
49	Mimasaka Yunogo	674-7, Nakayama, Mimasaka, Okayama 707-0061	0868-72-5551	35	
50	Takehara	442-2, Nishino-cho, Takehara, Hiroshima 725-0002	0846-29-0141	40	
51	Hikari	31-1, Murozumi-Higashinosho, Hikari, Yamaguchi 743-0005	0833-78-1515	40	
52	Yuda	1-42, Kanda-cho, Yamaguchi, Yamaguchi 753-0064	083-922-5226	40	
53	Kanonji	1101-4, Ikenoshiri-cho, Kanonji, Kagawa 768-0031	0875-27-6161	55	
54	Sakaide	2048-91, Takaya-cho, Sakaide, Kagawa 762-0017	0877-47-0531	41	
55	Tokushima	3-70, Nakatsuyama, Hachiman-cho, Tokushima, Tokushima 770-8071	088-625-1255	46	
56	Dogo	3-1, Mizonobe-machi, Matsuyama, Ehime 791-0101	089-977-0460	54	
57	Ino	1569, Hakawa, Ino-cho, Agawa-gun, Kochi 781-2128	088-892-1580	52	
58	Kitakyushu	2829, Arige, Wakamatsu-ku, Kitakyushu, Fukuoka 808-0123	093-741-1335	50	
59	Yanagawa	10-1, Yashiro-machi, Yanagawa, Fukuoka 832-0057	0944-72-6295	40	
60	Shimabara	8362-3, Hakusan-machi, Shimabara, Nagasaki 855-0824	—	—	Temporarily closed
61	Beppu	457, Tsurumi, Beppu, Oita 874-0844	0977-66-1271	49	
62	Hita	685-6, Nakanoshima-machi, Hita, Oita 877-0074	0973-24-0811	53	
63	Yamaga	2450, Shijiki, Yamaga, Kumamoto 861-0542	0968-43-5121	28	
64	Aso	5936, Miyaji, Ichinomiya-machi, Aso, Kumamoto 869-2612	0967-22-1122	66	
65	Nichinan	2228-1, Hoshikura, Nichinan, Miyazaki 889-2533	0987-22-5171	46	
66	Recreation Center in Naha	9-15, Minato-machi 2-chome, Naha, Okinawa 900-0001	098-862-4740	76	

2. Kanpo no Sato Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
67	Hakusan-Oguchi	43-3, U, Seto, Hakusan, Ishikawa 920-2331	076-256-8080	43	
68	Shobara	281-1, Shinjo-cho, Shobara, Hiroshima 727-0004	0824-73-1800	62	
69	Usa	1571-1, Kawabe, Usa, Oita 879-0452	0978-37-2288	32	

3. Rafre Saitama and Other Facilities

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
70	Rafre Saitama	3-2, Shintoshin, Chuo-ku, Saitama, Saitama 330-0081	048-601-1111	187	
71	U-Port Recreation Center in Setagaya	17-1, Kamata 2-chome, Setagaya, Tokyo 157-0077	03-3709-0161	—	

Notes 1: For more details, contact the hotels directly or call the customer service center of *Kanpo no Yado* inns at 0120-715294 (weekdays: 9:30 to 17:30).

2: The suspension of operations in Matsushima is due to the impact of the Great East Japan Earthquake.

3: Each accommodation facility has formed a disaster agreement beforehand with local municipalities to provide evacuation areas, bathing facilities and food in accordance with requests from these municipalities (except Koriyama).

3. Outline of Japan Post Network Co., Ltd.

1

Company Outline

Company name (in Japanese):	Yubinkyoku Kabushiki Kaisha
Company name:	JAPAN POST NETWORK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥100 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Network Act (Law No. 100 of October 21, 2005)
Lines of business:	Postal counter operations for regular mail, parcels and other items; sales of revenue stamps; bank agency services; intermediary services for financial products; solicitation of life and non-life insurance; real estate business; merchandise sales; and operations consigned by local government entities

2

Management Philosophy

Management Philosophy

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

1. We will supply products and services that precisely match customers' needs from the perspective of each one of them.
2. We will create an even better infrastructure for our customers' lives, constantly upgrading the post office network's capabilities by evolving with social and regional changes.
3. We will fulfill our responsibilities as a corporate citizen by establishing corporate governance systems and strictly implementing compliance.
4. We will encourage all employees to refine their skills and aim for higher goals while interacting with society and the residents of the communities we serve.

3

Information on Shares

1. Number of Shares

Total shares issued	4,000,000
---------------------	-----------

2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	4,000,000	100%

4

Number of Employees

108,973* (as of March 31, 2012)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Network Co., Ltd. Excludes temporary employees.

5

List of Directors, Auditors and Executive Officers

(As of July 1, 2012)

1. Directors

Chairman & CEO.....	Koji Furukawa
President.....	Akira Nagatomi
Executive Vice President.....	Chikanori Saio (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director (Outside)	Hidekazu Inoue (Formerly held the position of President of Nippon Telegraph and Telephone East Corporation; concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Director (Outside)	Seisuke Ueshima (Formerly held the position of Chairman of Yamaha Corporation)
Director (Outside)	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)

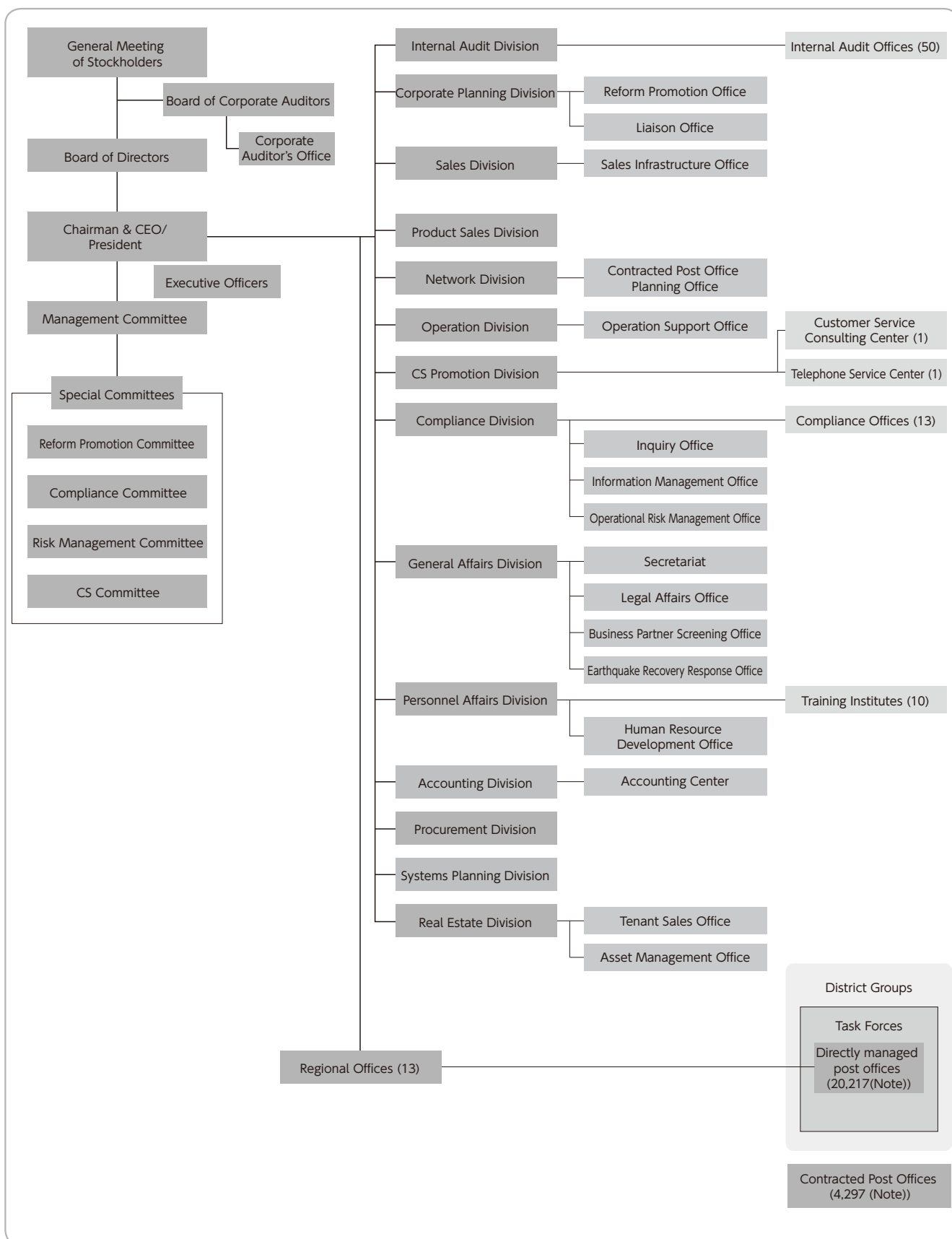
2. Auditors

Haruki Iinuma
Kiyoshi Nishimura
Yoshikazu Yamaguchi
Satoru Ito

3. Executive Officers

Vice President	Nobuyuki Hidaka	Managing Executive Officer	Tameyasu Tsukada
Senior Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Toru Takahashi	Managing Executive Officer	Shin Ueda
Managing Executive Officer	Manabu Kawamura	Managing Executive Officer	Kiyoshi Kobayashi
Managing Executive Officer	Kinzo Nakazawa	Executive Officer	Atsuko Onodera
Managing Executive Officer	Toshihiro Tsuboi	Executive Officer	Yoshihiko Ota
Managing Executive Officer	Kazuya Yamaguchi	Executive Officer	Koji Wada
Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Bank Co., Ltd.)	Satoshi Hoshino	Executive Officer	Yasunao Taketomi
Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Bank Co., Ltd.)	Kikuo Kushibiki	Executive Officer	Hisaharu Nakajima
Managing Executive Officer	Yoshikazu Kurita	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	Susumu Inoue
		Executive Officer	Tomoko Samura
		Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Service Co., Ltd.)	Shuzo Inoue

(As of July 1, 2012)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2012.

(As of July 1, 2012)

Name of regional office	Location
Hokkaido	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	1-1, Sakuragi-cho, Naka-ku, Yokohama, Kanagawa 231-0062
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797
Tokai	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797

(As of March 31, 2012)

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Hokkaido	1,215	0	283	1,498	0	0	17	17	1,515
Aomori	267	0	94	361	0	0	1	1	362
Iwate	297	0	107	404	11	0	17	28	432
Miyagi	344	0	81	425	18	0	12	30	455
Akita	273	0	127	400	0	0	1	1	401
Yamagata	289	0	106	395	0	0	3	3	398
Fukushima	408	0	106	514	24	0	10	34	548
Ibaraki	466	0	53	519	0	0	3	3	522
Tochigi	311	0	45	356	0	0	2	2	358
Gunma	302	0	38	340	0	0	0	0	340
Saitama	623	0	19	642	0	0	0	0	642
Chiba	688	0	33	721	0	0	1	1	722
Kanagawa	750	0	14	764	0	0	1	1	765
Yamanashi	201	0	58	259	0	0	8	8	267
Tokyo	1,491	4	7	1,502	9	0	0	9	1,511
Niigata	535	2	140	677	0	0	7	7	684
Nagano	445	0	202	647	0	0	13	13	660
Toyama	212	0	78	290	0	0	1	1	291
Ishikawa	253	1	70	324	1	0	2	3	327
Fukui	210	0	33	243	0	0	0	0	243
Gifu	355	1	91	447	0	0	11	11	458
Shizuoka	484	0	95	579	0	0	24	24	603
Aichi	835	5	81	921	0	0	13	13	934
Mie	372	0	86	458	0	0	9	9	467
Shiga	229	0	30	259	0	0	2	2	261
Kyoto	441	1	34	476	1	0	0	1	477
Osaka	1,085	5	31	1,121	0	0	0	0	1,121
Hyogo	840	2	121	963	0	0	2	2	965
Nara	241	0	79	320	0	0	3	3	323
Wakayama	263	0	54	317	0	0	0	0	317
Tottori	147	0	95	242	0	0	5	5	247
Shimane	257	0	117	374	0	0	5	5	379
Okayama	418	2	105	525	0	0	9	9	534
Hiroshima	583	1	115	699	0	0	6	6	705

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Yamaguchi	354	1	61	416	0	0	4	4	420
Tokushima	203	0	30	233	0	0	6	6	239
Kagawa	189	0	29	218	0	0	9	9	227
Ehime	316	0	80	396	0	0	3	3	399
Kochi	229	0	91	320	0	0	3	3	323
Fukuoka	715	0	94	809	0	0	3	3	812
Saga	166	0	41	207	0	0	0	0	207
Nagasaki	311	0	136	447	0	0	2	2	449
Kumamoto	391	0	177	568	0	0	1	1	569
Oita	308	0	92	400	0	0	2	2	402
Miyazaki	196	0	112	308	0	0	2	2	310
Kagoshima	436	2	278	716	0	0	5	5	721
Okinawa	180	2	20	202	0	0	0	0	202
Nationwide total	20,124	29 <small>(Note 1)</small>	4,069	24,222	64	0	228 <small>(Note 2)</small>	292 <small>(Note 3)</small>	24,514

* Contracted post offices operate under consignment contracts.

"Post offices out of service" are post offices for which customers have been informed of a temporary closure and postal counter operations have been ceased.

Note 1: Of these 29 post offices, one post office branch was provisionally established as an emergency measure for contracted post offices temporarily closed due to reasons related to the contractees.

Note 2: Services in areas where contracted post offices have been closed are as follows.

Number of instances where services are provided by personnel dispatched to the location	Number of instances where services are provided by 2 mobile post offices
52	3

Of the mobile post offices, one has been dispatched to the disaster regions and therefore its service has been temporarily suspended.

Note 3: Post offices out of service are as follows.

	Closed due to the Great East Japan Earthquake	Closed for reasons other than the Great East Japan Earthquake	Total
Directly managed post offices	53	11	64
Contracted post offices	29	199	228

9

Outline of Subsidiaries

(As of March 31, 2012)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Network ownership	Ownership of voting shares
Post Office Business Support Co., Ltd. (Note)	Koto-ku, Tokyo	¥ 100	Merchandise business, contacting business for merchandise operations	September 11, 2007	100.0%	100.0%
Japan Post Building Management Co., Ltd.	Minato-ku, Tokyo	¥ 150	Property management for commercial buildings	April 1, 2011	100.0%	100.0%

* Note: Company name changed to Japan Post Network Trading Service Co., Ltd. on April 1, 2012.

4. Outline of Japan Post Service Co., Ltd.

1

Company Outline

Company name (in Japanese):	Yubin Jigyo Kabushiki Kaisha
Company name:	JAPAN POST SERVICE Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥100 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Service Act (Law No. 99 of October 21, 2005)
Lines of business:	Postal service business, domestic distribution and delivery business, international cargo transport and agency services for air cargo business, logistics business, etc.

2

Management Philosophy

Management Philosophy

While maintaining universal services for postal businesses, Japan Post Service will create a "network that conscientiously connects people, businesses, and society" by providing services that enable the public to enjoy secure, safe, certain and speedy communications and the benefit of logistics functions.

1. We will continue to provide universal postal service through more efficient business operations.
2. We will expand and upgrade logistics services in Japan and overseas by making extensive use of our resources with the aim of meeting customers' diversifying needs.
3. We will provide services that deliver true customer satisfaction, continually improving service quality and developing new products and service offerings, based on the perspective of our customers.
4. We will maintain effective corporate internal audits and internal controls and conduct a strict compliance program. We will appropriately disclose information to ensure the transparency of our business activities.
5. We will create opportunities for customers, employees and the general public to lead vibrant and enjoyable lives.

3

Information on Shares

1. Number of Shares

Total shares issued	4,000,000
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2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	4,000,000	100%

4

Number of Employees

98,588* (as of March 31, 2012)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Service Co., Ltd. Excludes temporary employees.

5

List of Directors, Auditors and Executive Officers

(As of July 1, 2012)

1. Directors

President and CEO.....	Shinichi Nabekura
Executive Vice President.....	Yoshiro Nakajo (Concurrently holds the position of Senior Managing Executive Officer at Japan Post Holdings Co., Ltd.)
Executive Vice President.....	Toshiro Ito
Director (Outside)	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside)	Masafumi Yokota (Concurrently holds the position of Senior Executive Officer at Nuclear Damage Liability Facilitation Fund)

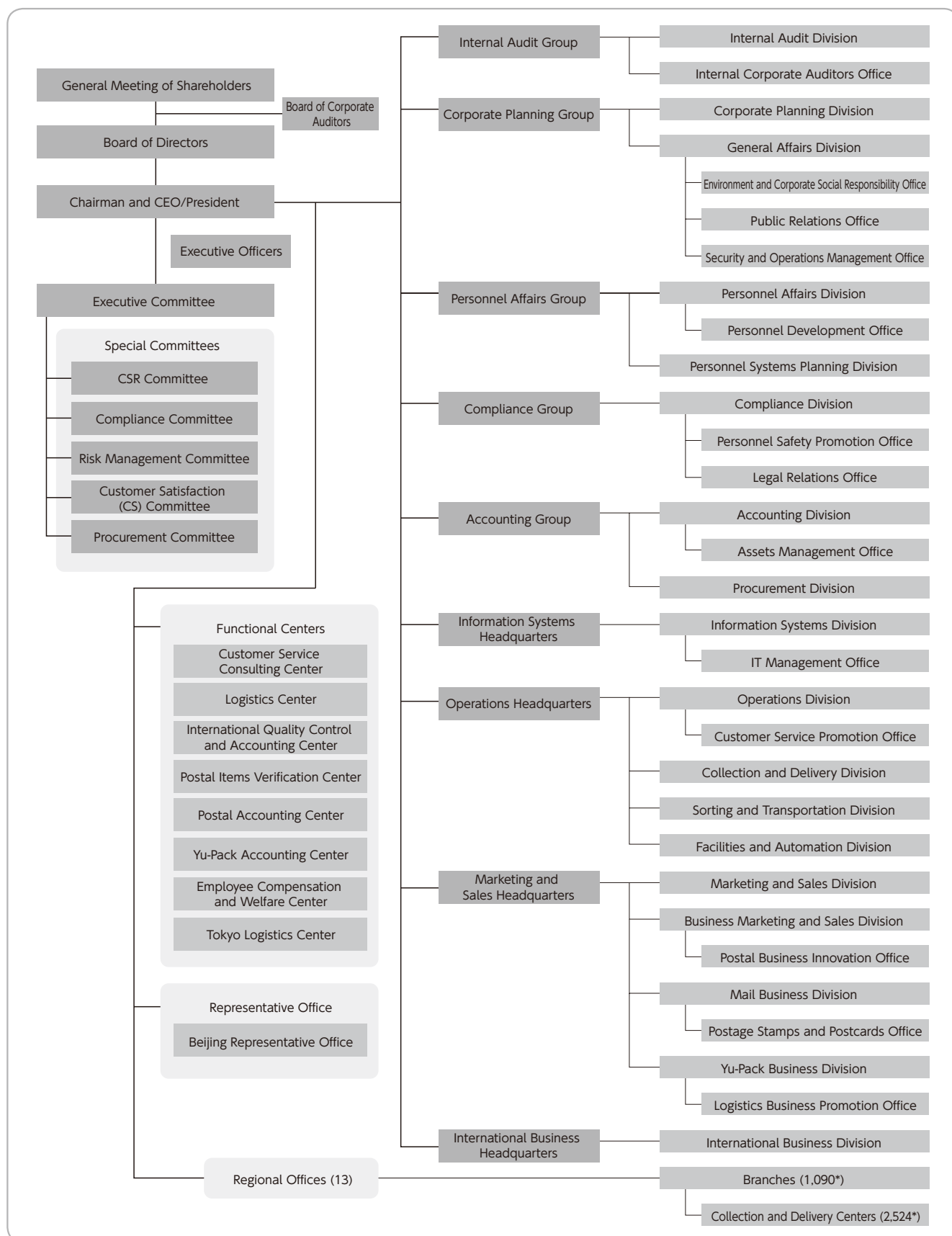
2. Auditors

Takao Ito
Hitoshi Shirakawa
Yoshio Haibara

3. Executive Officers

First Executive Officer	Hisamitsu Gannyo	Executive Officer	Naoki Nakashima
Senior Executive Officer (Concurrently holds the position of Senior Executive Officer at Japan Post Holdings Co., Ltd.)	Takao Miwa	Executive Officer	Hideyuki Hokazono
Senior Executive Officer	Seiji Katsuno	Executive Officer	Kazuaki Daikaku
Senior Executive Officer	Yuji Uenuma	Executive Officer	Shuji Obu
Senior Executive Officer	Seiki Fukuda	Executive Officer	Keiichi Yano
Senior Executive Officer (Concurrently holds the position of Senior Executive Officer at Japan Post Holdings Co., Ltd.)	Junichiro Miyazaki	Executive Officer	Toru Inasawa
Senior Executive Officer	Chikashi Isayama	Executive Officer	Hidetoshi Kuriyama
Senior Executive Officer	Osamu Hitani	Executive Officer	Toshiyuki Hama
Senior Executive Officer (Concurrently holds the position of Senior Executive Officer at Japan Post Holdings Co., Ltd.)	Masayuki Nakayama	Executive Officer	Yoshihiro Chiba
		Executive Officer (Concurrently holds the position of Executive Officer at Japan Post Network Co., Ltd.)	Shuzo Inoue
		Executive Officer	Hiroyuki Tatsumi
		Executive Officer	Ryutarou Yamamoto
		Executive Officer	Ryosuke Haraguchi

(As of July 1, 2012)



Note: Numbers of branches and collection and delivery centers are as of March 31, 2012.

7

Names and Locations of Regional Offices

(As of July 1, 2012)

Name of regional office	Location
Hokkaido	4-3, Kita 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	14-2, Takashima 2-chome, Nishi-ku, Yokohama, Kanagawa 220-8998
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797
Tokai	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797

8

Number of Offices by Prefecture

(As of March 31, 2012)

Prefecture	Number of offices	Prefecture	Number of offices
Hokkaido	57	Shiga	12
Aomori	10	Kyoto	27
Iwate	15	Osaka	68
Miyagi	18	Hyogo	46
Akita	11	Nara	15
Yamagata	11	Wakayama	12
Fukushima	20	Tottori	4
Ibaraki	30	Shimane	7
Tochigi	17	Okayama	19
Gunma	16	Hiroshima	27
Saitama	52	Yamaguchi	18
Chiba	47	Tokushima	7
Kanagawa	55	Kagawa	10
Yamanashi	11	Ehime	16
Tokyo	88	Kochi	9
Niigata	26	Fukuoka	45
Nagano	24	Saga	8
Toyama	12	Nagasaki	12
Ishikawa	12	Kumamoto	16
Fukui	10	Oita	11
Gifu	19	Miyazaki	6
Shizuoka	31	Kagoshima	11
Aichi	62	Okinawa	14
Mie	16	Nationwide total	1,090

9

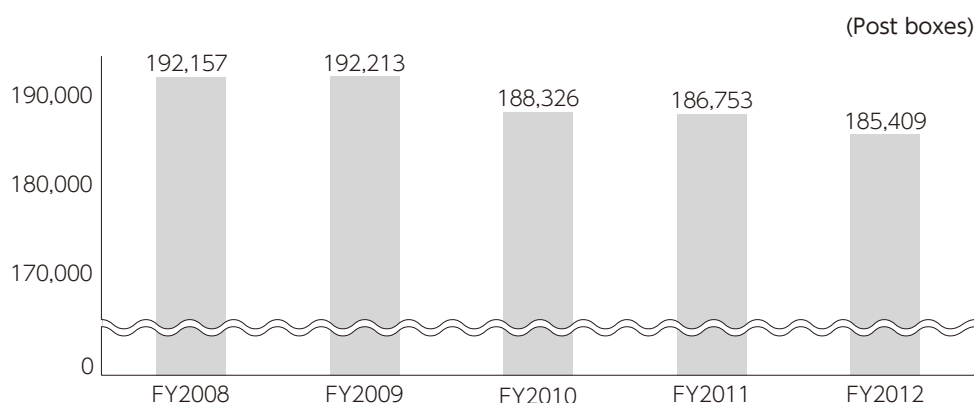
Principal Subsidiaries

(As of March 31, 2012)

Affiliation	Company name	Location	Paid-in capital (millions)	Line of business	Date of establishment	Japan Post Service ownership	Ownership of voting shares
Consolidated Subsidiaries	JP Logi Service Co., Ltd.	Chuo-ku, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6%	67.6%
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	51.0%	58.5%
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Product development of direct media	February 29, 2008	51.0%	51.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0%	100.0%
	JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0%	60.0%

10

Number of Post Boxes



11

Outsourcing

Japan Post Service outsources some of its business activities as prescribed by law.

■ Outsourcing of Transport of Postal Materials or others

The following table shows the status for the outsourcing of the collection, transport and delivery operations to transport companies and other parties as prescribed in the Law for Outsourcing Postal Material Transport (1949 Law No. 284).

(Millions of yen)

Category	FY2010	FY2011	FY2012
Collection, delivery and transport outsourcing expenses	148,192	206,604	198,258

Note: Collection, delivery and transport expenses include expenses paid for the outsourcing of the collection, transport and delivery of postal materials, etc., to transport companies, etc. In addition, these expenses include miscellaneous expenses for the outsourcing of the collection, transport and delivery of postal materials, etc., such as the cost of renting the collection and delivery worksite, expressway tolls and other items.

■ Outsourcing of Sale of Postage Stamps or others

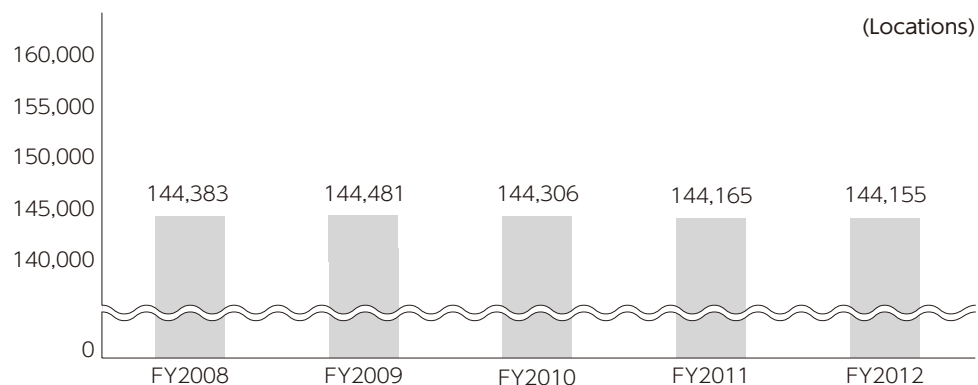
The following table shows the status of outsourcing of the sale of postage stamps, etc., as prescribed in the Law Concerning Locations for the Sale of Postage Stamps (1949 Law No. 91).

(Millions of yen)

Category	FY2010	FY2011	FY2012
Fees paid to locations selling postage stamps	22,067	20,317	19,655

12

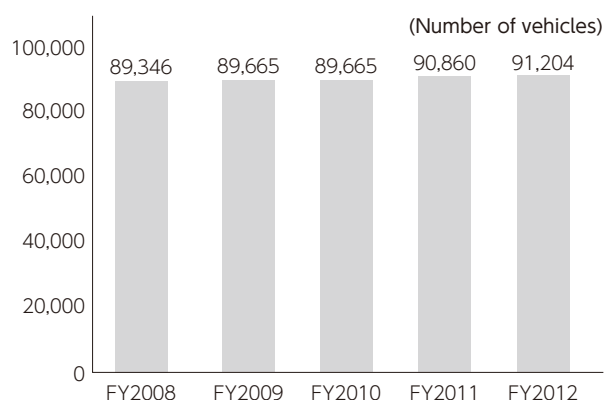
Number of Locations Selling Postage Stamps and Revenue Stamps



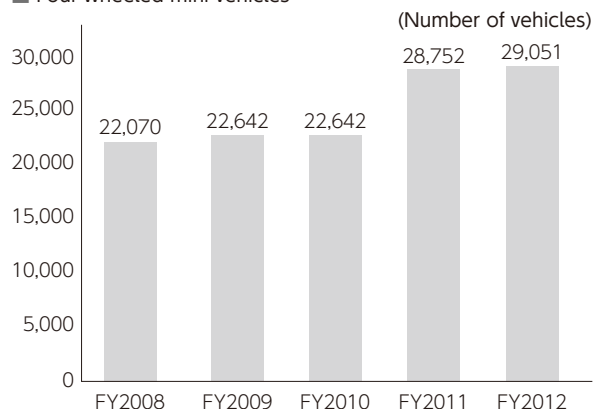
13

Number of Vehicles Owned

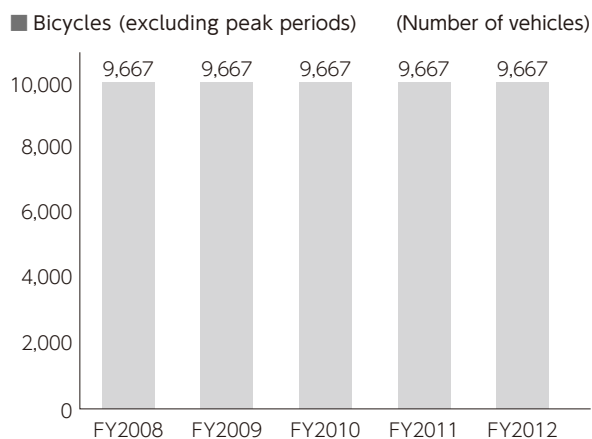
■ Two-wheeled vehicles (including small motor vehicles)



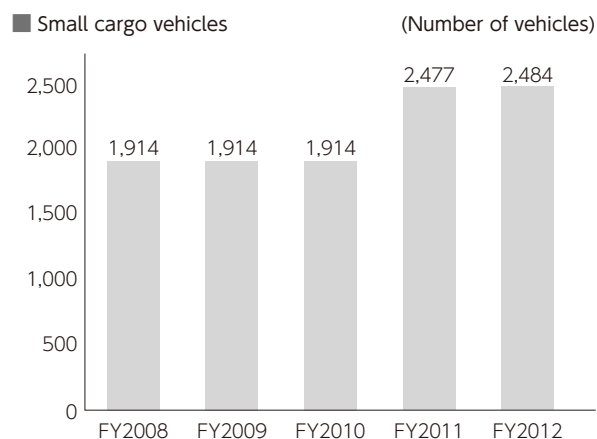
■ Four-wheeled mini vehicles



■ Bicycles (excluding peak periods)



■ Small cargo vehicles



5. Outline of Japan Post Bank Co., Ltd.

1

Company Outline

Company name (in Japanese): Kabushiki Kaisha Yucho Ginko
Company name: JAPAN POST BANK Co., Ltd.
Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone: 03-3504-4411 (Japan Post Group main number)
Paid-in capital: ¥3,500 billion
Date of establishment: September 1, 2006
(On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)
Line of business: Banking
Financial institution code number: 9900

2

Management Philosophy

Management Philosophy

Japan Post Bank is dedicated to serving as "the most accessible and trustworthy Bank in Japan," with operations that are guided by the needs and wishes of our customers.

Dependability: We will comply with laws regulations and other standards of behavior in order to earn the trust of markets, shareholders and employees and consistently serve as a responsible corporate citizen.

Innovation: We will constantly use innovative ideas to improve our management and business activities in response to input from customers and changes in market conditions.

Efficiency: We will pursue improvements in speed and efficiency in order to be a source of products and services that match our customers' requirements.

Expertise: We will work continually on upgrading expertise in specialized fields with the aim of meeting the high expectations of our customers.

3

Information on Shares

1. Number of Shares

Total shares issued	150,000,000
---------------------	-------------

2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

4

Number of Employees

12,796* (as of March 31, 2012)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Bank Co., Ltd.
Excludes contract and temporary employees.

(As of July 1, 2012)

1. Board Members

Director, Chairman	Shigeo Kawa
Director, President & CEO	Yoshiyuki Izawa (Concurrently holds the position of Representative Executive Officer and Deputy President of Japan Post Holdings Co., Ltd.)
Director (Outside)	Fumio Masada (Formerly held the position of Executive Vice President of Nippon Life Insurance Company)
Director (Outside)	Atsushi Kinebuchi (Formerly held the position of Executive Vice President of Nomura Asset Management Co., Ltd.)
Director (Outside)	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside)	Tomoyoshi Arita (Concurrently holds the position of Attorney-at-Law)

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Board Members)

Executive Vice President	Tomohiro Yonezawa	Executive Officer	Osami Niihori
Executive Vice President	Tomohisa Mase	Executive Officer	Yoko Makino
Senior Managing Executive Officer	Shuichi Ikeda	Executive Officer	Kunihiko Amaha
Senior Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Susumu Tanaka	Executive Officer	Naoto Misawa
Senior Managing Executive Officer	Masahiro Murashima	Executive Officer	Masato Wakai
Managing Executive Officer	Riki Mukai	Executive Officer	Masaya Aida
Managing Executive Officer	Hiroshi Yamada	Executive Officer	Katsumi Amano
Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Network Co., Ltd.)	Satoshi Hoshino	Executive Officer	Yoichi Uno
Managing Executive Officer	Hiroichi Shishimi	Executive Officer	Harumi Yano
Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Network Co., Ltd.)	Kikuo Kushibiki	Executive Officer	Yasuyuki Hori
Managing Executive Officer	Chiharu Komachi	Executive Officer	Norio Wakasa

3. Nomination Committee

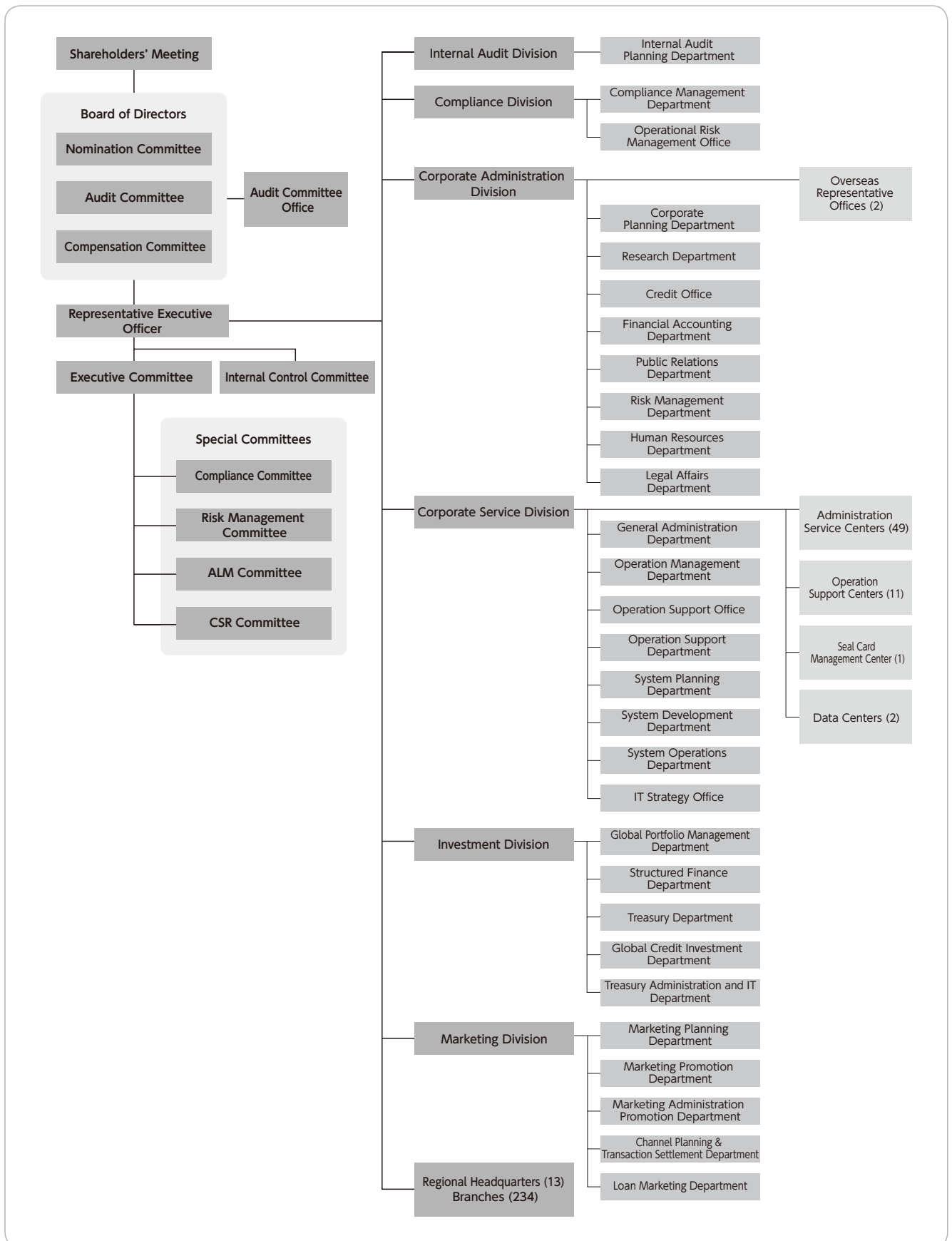
Chairman	Jiro Saito
Member	Shigeo Kawa
Member	Yoshiyuki Izawa
Member	Fumio Masada
Member	Atsushi Kinebuchi

4. Audit Committee

Chairman	Tomoyoshi Arita
Member	Fumio Masada
Member	Atsushi Kinebuchi

5. Compensation Committee

Chairman	Jiro Saito
Member	Shigeo Kawa
Member	Yoshiyuki Izawa
Member	Fumio Masada
Member	Atsushi Kinebuchi



7

Principal Business Locations

Head Office and 234 Branches

(As of March 31, 2012)

Name of branch	Location	Telephone number
Sapporo Branch	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002	011-214-4300
Sendai Branch	3-3, Ichibancho 1-chome, Aoba-ku, Sendai, Miyagi 980-8711	022-267-8275
Saitama Branch	1-12, Bessho 7-chome, Minami-ku, Saitama, Saitama 336-8799	048-864-7317
Central Branch	Yusen Building 1F, 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8996	03-3284-9618
Nagano Branch	1085-4, Minami Agata-machi, Nagano, Nagano 380-8799	026-226-2550
Kanazawa Branch	1-1, Sanja-machi, Kanazawa, Ishikawa 920-8799	076-224-3844
Nagoya Branch	1-10, Osu 3-chome, Naka-ku, Nagoya, Aichi 460-8799	052-261-6728
Osaka Branch	Osaka Ekimae 1st Building 2F, 3-1, Umeda 1-chome, Kita-ku, Osaka, Osaka 530-0001	06-6347-8112
Hiroshima Branch	6-36, Moto-machi, Naka-ku, Hiroshima, Hiroshima 730-0011	082-222-1315
Matsuyama Branch	5-2, Sanban-cho 3-chome, Matsuyama, Ehime 790-8799	089-941-0820
Kumamoto Branch	1-1, Joto-machi, Kumamoto, Kumamoto 860-0846	096-328-5163
Naha Branch	1-1, Kumoji 1-chome, Naha, Okinawa 900-0015	098-867-8802

Note 1: From April 1, 2012, the Kumamoto Branch changed the notation of its address along with the designation of Kumamoto City as a government ordinance designated city.

1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto

Note 2: From July 17, 2012, the Central Branch moved to the following location.

3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo

8

Japan Post Bank Offices by Prefecture

(As of March 31, 2012) (Branches/Post offices)

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Hokkaido	1	4	1,210	280	1,495
Aomori	0	2	265	94	361
Iwate	0	1	307	117	425
Miyagi	1	1	360	87	449
Akita	0	1	273	127	401
Yamagata	0	1	288	106	395
Fukushima	0	3	430	113	546
Ibaraki	0	3	463	54	520
Tochigi	0	2	309	45	356
Gunma	0	3	299	38	340
Saitama	1	16	606	18	641
Chiba	0	13	675	33	721
Kanagawa	0	31	719	14	764
Yamanashi	0	1	200	57	258
Tokyo	1	40	1,457	7	1,505
Niigata	0	3	534	138	675
Nagano	1	2	441	199	643
Toyama	0	2	210	77	289
Ishikawa	1	0	253	70	324
Fukui	0	1	209	31	241
Gifu	0	2	354	81	437
Shizuoka	0	5	478	82	565
Aichi	1	13	825	78	917
Mie	0	2	370	82	454
Shiga	0	1	228	30	259
Kyoto	0	4	438	34	476
Osaka	1	23	1,064	31	1,119

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Hyogo	0	12	829	121	962
Nara	0	2	239	79	320
Wakayama	0	1	262	54	317
Tottori	0	1	146	94	241
Shimane	0	1	256	118	375
Okayama	0	2	418	105	525
Hiroshima	1	3	580	115	699
Yamaguchi	0	3	352	61	416
Tokushima	0	1	202	30	233
Kagawa	0	2	187	28	217
Ehime	1	1	314	79	395
Kochi	0	1	228	89	318
Fukuoka	0	4	711	92	807
Saga	0	1	165	39	205
Nagasaki	0	2	309	137	448
Kumamoto	1	1	389	177	568
Oita	0	2	306	91	399
Miyazaki	0	1	195	112	308
Kagoshima	0	1	437	280	718
Okinawa	1	0	181	20	202
Total	12	222	19,971	4,044	24,249

Note 1: The number of post offices refers to the number of sales offices and branches handling bank agency operations (including branches).

2. The number of contracted post offices refers to the number of sales offices or branches commissioned to handle bank agency operations by Japan Post Service Co., Ltd. on behalf of Japan Post Bank Co., Ltd.

3. The number of mobile post offices in Aichi and Tokushima Prefectures is not included in the above totals.

9

Number of ATMs by Prefecture

(As of March 31, 2012)

Prefecture	Number of ATMs
Hokkaido	1,688
Aomori	316
Iwate	344
Miyagi	510
Akita	313
Yamagata	321
Fukushima	500
Ibaraki	573
Tochigi	369
Gunma	355
Saitama	930
Chiba	951
Kanagawa	1,165
Yamanashi	223
Tokyo	2,550
Niigata	645

Prefecture	Number of ATMs
Nagano	536
Toyama	253
Ishikawa	322
Fukui	242
Gifu	415
Shizuoka	582
Aichi	1,146
Mie	425
Shiga	288
Kyoto	581
Osaka	1,573
Hyogo	1,126
Nara	295
Wakayama	299
Tottori	165
Shimane	289

Prefecture	Number of ATMs
Okayama	506
Hiroshima	780
Yamaguchi	432
Tokushima	235
Kagawa	246
Ehime	407
Kochi	274
Fukuoka	1,005
Saga	213
Nagasaki	371
Kumamoto	469
Oita	352
Miyazaki	231
Kagoshima	494
Okinawa	252
Total	26,557

10

Outline of Affiliated Company

(As of March 31, 2012)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Bank ownership	Ownership of voting shares
SDP Center Co., Ltd.	Chuo-ku, Tokyo	2,000	Bank agency operations	May 28, 1980	45.0%	45.0%

6. Outline of Japan Post Insurance Co., Ltd.

1 Company Outline

Company name (in Japanese) : Kabushiki Kaisha Kanpo Seimei Hoken
Company name: JAPAN POST INSURANCE Co., Ltd.
Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone: 03-3504-4411 (Japan Post Group main number)
Paid-in capital: ¥500 billion
Date of establishment: September 1, 2006
(The name of the company was changed from Kanpo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)
Line of business: Life insurance

2 Management Philosophy

Management Philosophy

Moving forward with our customers while serving as "Japan's most familiar and trusted insurance company"
To translate this philosophy into specific activities, Japan Post Insurance makes the following promises to stakeholders.

Our promise to customers

We value every contact with customers. We will offer products and services that are easy to understand and use. We will supply accurate information so that customers can use these products and services with confidence.

Our promise to shareholders

We will aim to continuously enhance corporate value to fulfill our obligation to shareholders. We will use sound management systems backed by a suitable risk management framework. We will maintain strong lines of communication with shareholders and other investors.

Our promise to society

We will make compliance one of the most important elements of our business activities. We will actively contribute to public health. We will operate in a manner that is kind to people and eco-friendly.

Our promise to business partners

We will build mutually beneficial relationships based on close cooperation and extensive support. We will supply services and improve the quality of those services by working closely with our business partners. We will increase the value of our brand as a member of the Japan Post Group.

Our promise to employees

We will provide employees with a pleasant and rewarding workplace. We will respect each employee and provide equal opportunities to everyone. We will provide many forms of assistance for employees to upgrade their skills.

3 Information on Shares

1. Number of Shares

Total shares issued	20,000,000
---------------------	------------

2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	20,000,000	100%

4

Number of Employees

6,741* (as of March 31, 2012)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Insurance Co., Ltd.
Excludes contract and temporary employees.

5

List of Directors, Executive Officers and Management Committees

1. Directors

(As of July 1, 2012)

Chairman	Izumi Yamashita
President, CEO	Masami Ishii
Director (Outside)	Masaharu Hino (Concurrently holds the position of Attorney-at-Law)
Director (Outside)	Hiroshi Koshida (Concurrently holds the position of Adviser to Daiwa Asset Management Co., Ltd.)
Director (Outside)	Toshiaki Katsushima (Concurrently holds the position of Certified Public Accountant)
Director (Outside)	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)

2. Executive Officers (Excludes persons holding concurrent posts in addition to the above. 1. Directors)

Deputy President (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Toshihisa Minakata	Executive Officer	Masanori Sato
		Executive Officer	Tomoaki Nara
Deputy President	Masaro Sugimoto	Executive Officer	Kazuhiro Ikegawa
Senior Managing Executive Officer	Shoji Awakura	Executive Officer	Tetsuya Senda
Managing Executive Officer	Yoshifumi Ikeda	Executive Officer	Yoshihiko Ido
Managing Executive Officer	Kazuhide Kinugawa	Executive Officer	Shinji Ando
Managing Executive Officer	Masaaki Horigane	Executive Officer	Hiroyuki Kutomi
Managing Executive Officer	Kiyotaka Fujimoto	Executive Officer	Masayuki Tokushige
Managing Executive Officer	Yoshito Horie		
Managing Executive Officer	Masahiko Sugimori		

3. Nomination Committee

Chairman	Jiro Saito
Member	Izumi Yamashita
Member	Masami Ishii
Member	Masaharu Hino
Member	Hiroshi Koshida

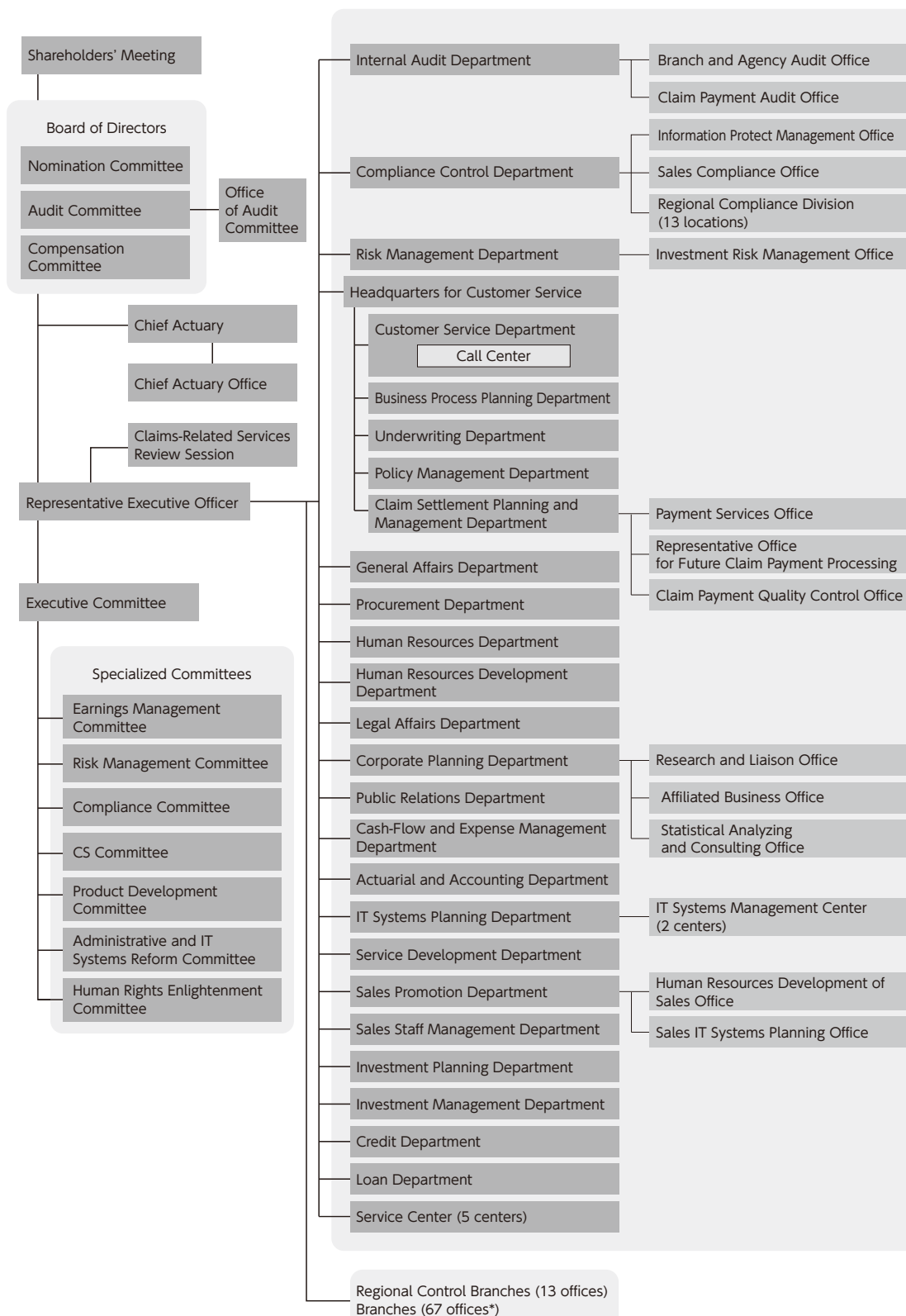
4. Audit Committee

Chairman	Masaharu Hino
Member	Hiroshi Koshida
Member	Toshiaki Katsushima

5. Compensation Committee

Chairman	Jiro Saito
Member	Izumi Yamashita
Member	Masami Ishii
Member	Hiroshi Koshida
Member	Toshiaki Katsushima

(As of July 1, 2012)



7

Principal Branches (Regional Control Offices)

(As of July 1, 2012)

Name of branch	Location	Telephone number
Sapporo	2-1, Odori Higashi, Chuo-ku, Sapporo, Hokkaido 060-0041	011-221-6375
Sendai	1-1-34, Ichibancho, Aoba-ku, Sendai, Miyagi 980-8797	022-267-7849
Saitama	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797	048-600-2066
Yokohama	5-3, Nihon Odori, Naka-ku, Yokohama, Kanagawa 231-8799	045-212-3928
Azabu (Note 1)	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8799	03-3583-9928
Nagano	801, Kurita, Nagano, Nagano 380-8797	026-231-2342
Kanazawa	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797	076-220-3171
Nagoya	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797	052-963-6351
Osaka	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797	06-6944-5765
Hiroshima	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797	082-224-5165
Matsuyama	8-5, Miyata-machi, Matsuyama, Ehime 790-8797	089-936-5612
Kumamoto	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-8797	096-328-5343
Naha	3-3-8, Tsubogawa, Naha, Okinawa 900-8799	098-833-5516

In addition to the above, there are 67 other branches. (Note 2)

Note 1: From July 17, 2012, the Azabu Branch merged with the Nihonbashi Branch, moved its location and changed its name to the Tokyo Branch.

Tokyo Branch
Address
3-17-1 Toranomon
Minato-ku
Tokyo 105-0001
Telephone: 03-6402-6515

Note 2: 66 branches from July 17, 2012

8

Outline of Subsidiary

(As of March 31, 2012)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Insurance Ownership	Ownership of voting shares
Japan Post Insurance System Solutions Co., Ltd.	Shibuya-ku, Tokyo	60	Commissioned design, development, maintenance and operations of information systems	March 8, 1985	100.0%	100.0%

Financial Data

CONTENTS

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)	120	Japan Post Service Co., Ltd. (Non-consolidated)...	121
Japan Post Holdings Co., Ltd. (Non-consolidated)		Japan Post Bank Co., Ltd. (Non-consolidated)	121
.....	120	Japan Post Insurance Co., Ltd. (Non-consolidated)	
Japan Post Network Co., Ltd. (Non-consolidated)		121
.....	120		

2. Japan Post Group Companies—Consolidated Financial Data

Consolidated Balance Sheets	122	Changes in Presentation	127
Consolidated Statements of Income and Consoli-		Additional Information	127
dated Statements of Comprehensive Income	123	Notes to Consolidated Financial Statements	128
Consolidated Statements of Changes in		Capital Adequacy	132
Net Assets	124	Compensation, etc. Subject to Disclosure	142
Consolidated Statements of Cash Flows.....	125	Insurance Claims and Other Payment Abilities of	
Basis of Presentation of Consolidated Financial		Insurance Holding Companies (Consolidated	
Statements	126	Solvency Margin Ratio)	144

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

Balance Sheets	145	Significant Accounting Policies	148
Statements of Income	146	Additional Information	148
Statements of Changes in Net Assets	147	Notes to Financial Statements	149

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

Balance Sheets	150	Additional Information	153
Statements of Income	151	Notes to Financial Statements	153
Statements of Changes in Net Assets	152	Reference	154
Significant Accounting Policies	153		

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

Balance Sheets	155	Changes in Presentation	158
Statements of Income	156	Additional Information	158
Statements of Changes in Net Assets	157	Notes to Financial Statements	158
Significant Accounting Policies	158	Reference	159

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

Balance Sheets	160	Statements of Cash Flows.....	163
Statements of Income	161	Notes to Financial Statements	164
Statements of Changes in Net Assets	162		

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

Balance Sheets	180	Summary of Significant Accounting Policies	184
Statements of Income	181	Additional Information	185
Statements of Changes in Net Assets	182	Notes to Financial Statements	185
Statements of Cash Flows.....	183		

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)	Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets			Liabilities		
Cash and due from banks	¥ 8,337,805	¥ 5,003,547	Deposits	¥ 173,589,158	¥ 174,434,011
Call loans	1,025,352	1,804,004	Policy reserves	92,817,891	88,651,016
Receivables under securities borrowing transactions	5,750,045	7,751,717	Reserve for outstanding claims	1,020,922	995,735
Monetary claims bought	173,912	109,458	Policy reserve	89,164,763	85,143,840
Trading account securities	282	216	Reserve for policyholders' dividends	2,632,205	2,511,441
Money held in trust	2,032,133	3,958,193	Payables under securities lending transactions	9,561,472	10,744,316
Securities	252,377,011	250,715,496	Foreign exchanges	178	152
Loans	18,786,271	18,063,587	Other liabilities	2,673,374	2,856,111
Foreign exchanges	4,735	2,630	Reserve for employees' bonuses	89,362	89,391
Other assets	999,885	1,155,007	Reserve for employees' retirement benefits	3,490,999	3,381,516
Tangible fixed assets	2,765,694	2,753,564	Reserve for directors' retirement benefits	598	832
Buildings	1,072,587	1,027,947	Reserve under the special laws	409,674	458,215
Land	1,453,785	1,451,779	Reserve for price fluctuations in security investments	409,674	458,215
Construction in progress	54,643	104,017	Deferred tax liabilities	190,351	415,631
Other tangible fixed assets	184,677	169,820	Acceptances and guarantees	110,000	160,000
Intangible fixed assets	237,005	238,817	Total Liabilities	¥ 282,933,060	¥ 281,191,197
Software	220,337	222,112	Net Assets		
Other intangible fixed assets	16,667	16,704	Capital stock	¥ 3,500,000	¥ 3,500,000
Deferred tax assets	310,830	371,261	Capital surplus	4,503,856	4,503,856
Customers' liabilities for acceptances and guarantees	110,000	160,000	Retained earnings	1,526,711	1,942,074
Allowance for doubtful accounts	(8,553)	(8,223)	Total shareholders' equity	9,530,568	9,945,930
Contribution to society and community funds assets	30,598	47,275	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 Assets	¥ 292,933,013	¥ 292,126,555	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)		2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' equity			Accumulated other comprehensive income		
Capital stock			Net unrealized gains (losses) on available-for-sale securities		
Balance at the beginning of the current fiscal year	¥ 3,500,000	¥ 3,500,000	Balance at the beginning of the current fiscal year	¥ 423,606	¥ 412,489
Balance at the end of the current fiscal year	¥ 3,500,000	¥ 3,500,000	Changes during the period		
Capital surplus			Net changes other than shareholders' equity	(11,116)	584,898
Balance at the beginning of the current fiscal year	¥ 4,503,856	¥ 4,503,856	Total changes during the period	(11,116)	584,898
Balance at the end of the current fiscal year	¥ 4,503,856	¥ 4,503,856	Balance at the end of the current fiscal year	¥ 412,489	¥ 997,387
Retained earnings			Deferred gains (losses) on derivatives under hedge accounting		
Balance at the beginning of the current fiscal year	¥ 1,159,491	¥ 1,526,711	Balance at the beginning of the current fiscal year	¥ 8,069	¥ 10,269
Changes during the period			Changes during the period		
Cash dividends	(36,346)	(38,404)	Net changes other than shareholders' equity	2,199	(80,859)
Net income for the period	418,929	468,907	Total changes during the period	2,199	(80,859)
Contribution to society and community funds	(15,362)	(15,140)	Balance at the end of the current fiscal year	¥ 10,269	¥ (70,589)
Total changes during the period	367,220	415,362	Total accumulated other comprehensive income		
Balance at the end of the current fiscal year	¥ 1,526,711	¥ 1,942,074	Balance at the beginning of the current fiscal year	¥ 431,676	¥ 422,759
Total shareholders' equity			Changes during the period		
Balance at the beginning of the current fiscal year	¥ 9,163,347	¥ 9,530,568	Net changes other than shareholders' equity	(8,917)	504,038
Changes during the period			Total changes during the period	(8,917)	504,038
Cash dividends	(36,346)	(38,404)	Balance at the end of the current fiscal year	¥ 422,759	¥ 926,797
Net income for the period	418,929	468,907	Minority interests		
Contribution to society and community funds	(15,362)	(15,140)	Balance at the beginning of the current fiscal year	¥ 1,104	¥ 1,224
Total changes during the period	367,220	415,362	Changes during the period		
Balance at the end of the current fiscal year	¥ 9,530,568	¥ 9,945,930	Net changes other than shareholders' equity	119	121
Contribution to society and community funds			Total changes during the period	119	121
Balance at the beginning of the current fiscal year	¥ 29,701	¥ 45,063	Balance at the end of the current fiscal year	¥ 1,224	¥ 1,345
Changes during the period			Total net assets		
Net changes other than shareholders' equity	15,362	15,140	Balance at the beginning of the current fiscal year	¥ 9,625,962	¥ 9,999,952
Total changes during the period	15,362	15,140	Changes during the period		
Balance at the end of the current fiscal year	¥ 45,063	¥ 60,204	Cash dividends	(36,346)	(38,404)
Valuation and translation adjustments of contribution to society and community funds			Net income for the period	418,929	468,907
Balance at the beginning of the current fiscal year	¥ 132	¥ 337	Contribution to society and community funds	(15,362)	(15,140)
Changes during the period			Net changes other than shareholders' equity	6,769	520,043
Net changes other than shareholders' equity	204	743	Total changes during the period	373,989	935,406
Total changes during the period	204	743	Balance at the end of the current fiscal year	¥ 9,999,952	¥ 10,935,358
Balance at the end of the current fiscal year	¥ 337	¥ 1,080			

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)		2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before income taxes and minority interests	¥ 634,798	¥ 847,514	Payments for purchase of call loans	(31,157,189)	(30,579,814)
Depreciation	204,734	204,569	Proceeds from redemption of call loans	30,915,389	30,577,789
Impairment losses	4,871	5,912	Payments for purchase of monetary claims bought	(62,296)	(123,493)
Equity in losses (gains) of affiliates	(31)	(29)	Proceeds from sales and redemption of monetary claims bought	29,997	149,993
Gain on negative goodwill	(8)	(3,228)	Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	(18,527)	258,374
Increase (decrease) in reserve for outstanding claims	(110,871)	(25,187)	Payments for purchase of securities	(59,154,254)	(66,183,140)
Increase (decrease) in policy reserve	(4,252,336)	(4,020,923)	Proceeds from sales of securities	10,842,288	4,251,866
Interest on reserve for policyholders' dividends	17,765	13,328	Proceeds from redemption of securities	53,933,186	63,685,936
Provision for reserve for policyholders' dividends	311,922	271,963	Payments for increase in money held in trust	(1,248,239)	(3,119,068)
Increase (decrease) in allowance for doubtful accounts	2,973	(329)	Proceeds from decrease in money held in trust	462,235	1,179,690
Increase (decrease) in reserve for employees' bonuses	(34,720)	(79)	Payments for loans	(2,351,320)	(2,068,607)
Increase (decrease) in reserve for employees' retirement benefits	(90,310)	(110,387)	Proceeds from collection of loans	4,064,348	2,700,460
Increase (decrease) in reserve for directors' retirement benefits	16	226	Payments for purchase of tangible fixed assets	(123,634)	(135,850)
Increase (decrease) in reserve for price fluctuations	(11,734)	48,541	Proceeds from sales of tangible fixed assets	7,373	1,129
Interest and dividend income-accrual basis	(1,581,320)	(1,542,986)	Payments for purchase of intangible fixed assets	(81,026)	(71,802)
Interest expenses-accrual basis	2,092	2,002	Payments for share acquisition from minority shareholders	(51)	—
Interests and dividend income	(2,044,121)	(2,006,939)	Proceeds from purchase of shares accompanied by change of scope of consolidation	—	2,392
Interest expenses	360,685	333,629	Others	(94,899)	374,922
Losses (gains) related to securities	30,548	(40,664)	Net cash provided by investing activities	5,963,381	900,778
Losses (gains) on money held in trust	(29,464)	(55,672)	Cash flows from financing activities:		
Losses (gains) on foreign exchanges	265	32,052	Proceeds from borrowings	2,818	2,310
Losses (gains) on sales and disposal of fixed assets	7,782	5,503	Repayments of borrowings	(3,178)	(2,462)
Loss on natural disaster	5,642	—	Dividends paid	(36,346)	(38,404)
Net (increase) decrease in loans and bills discounted	(217,672)	102,604	Proceeds from stock issuance to minority shareholders	49	—
Net increase (decrease) in deposits	(1,198,628)	844,852	Others	(2,152)	(2,650)
Proceeds from redemption of deposits to the fiscal loan fund	2,000,000	—	Net cash used in financing activities	(38,810)	(41,207)
Net increase (decrease) in borrowed money	(2,000,000)	—	Foreign currency translation adjustments on cash and cash equivalents	555	603
Net (increase) decrease in negotiable certificates of deposit	35,000	460,000	Net increase (decrease) in cash and cash equivalents	280,062	(2,876,257)
Net (increase) decrease in call loans	(176,976)	(738,267)	Cash and cash equivalents at beginning of year	7,157,542	7,437,605
Net (increase) decrease in receivables under securities borrowing transactions	(1,987,773)	(1,295,432)	Cash and cash equivalents at end of year	¥ 7,437,605	¥ 4,561,347
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)			

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 Biei 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 Biei 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

- Securities include ¥970 million in shares of non-consolidated subsidiaries and affiliates.
- 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.
- Among loans, there were no bankrupt loans, non-accrual delinquent loans, past-due loans (three months or more), and restructured loss amounts.
- Accumulated depreciation of tangible fixed assets: ¥729,341 million
- 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
- 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.
- 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

- Type and number of shares issued

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

- 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

- 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
- 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

- Status of Financial Instruments
 - 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).
 - 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.
 - 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.

- 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	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., Nittai 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)			Change during the period (Millions of yen)		
	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)		2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
General reserve for possible loan losses	229	214	General reserve for possible loan losses	51	(15)
Specific reserve for possible loan losses	—	—	Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—	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) × (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)	Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets			Liabilities		
Current assets (excluding contribution to society and community funds assets)			Current liabilities		
Cash and deposits	¥ 89,530	¥ 76,591	Accounts payable	¥ 51,800	¥ 13,460
Accounts receivable	152,401	239,609	Income taxes payable	92,767	202,407
Securities	—	21,500	Consumption taxes payable	56	—
Inventories	956	732	Accrued expenses	1,150	3,255
Short-term loan	—	250	Reserve for employees' bonuses	1,637	1,611
Prepaid expenses	104	81	Reserve for loss on natural disaster	1,256	333
Others	396	574	Reserve for point service program	—	495
Allowance for doubtful accounts	(18)	(9)	Others	817	945
Total current assets	243,371	339,330	Total current liabilities	149,486	222,509
Non-current assets (excluding contribution to society and community funds assets)			Long-term liabilities		
Tangible fixed assets			Reserve for employees' retirement benefits	1,070,824	977,772
Buildings: net	39,929	38,102	Reserve for directors' retirement benefits	90	128
Structures: net	753	679	Reserve for compensation for accidents in the course of duty	25,412	24,412
Machinery: net	606	569	Deferred tax liabilities	18,567	23,482
Vehicles: net	204	117	Others	1,786	2,334
Tools and fixtures: net	24,547	19,221	Total long-term liabilities	1,116,682	1,028,130
Land	93,309	92,864	Total Liabilities	¥ 1,266,168	¥ 1,250,639
Construction in progress	75	718	Net Assets		
Total tangible fixed assets	159,427	152,274	Shareholders' equity		
Intangible fixed assets			Capital stock	¥ 3,500,000	¥ 3,500,000
Software	18,815	11,384	Capital surplus		
Others	1,690	1,698	Capital reserve	4,503,856	4,503,856
Total intangible fixed assets	20,506	13,083	Total capital surplus	4,503,856	4,503,856
Investments and other assets			Retained earnings		
Stock of related parties	9,194,874	9,195,059	Other retained earnings		
Long-term prepaid expenses	84	70	Retained earnings brought forward	333,546	431,406
Claims in bankruptcy	107	112	Total retained earnings	333,546	431,406
Others	109	94	Total shareholders' equity	8,337,402	8,435,262
Allowance for doubtful accounts	(107)	(112)	Contribution to society and community funds	45,063	60,204
Total investments and other assets	9,195,069	9,195,223	Valuation and translation adjustments of contribution to society and community funds	337	1,080
Total non-current assets	9,375,002	9,360,580	Total Net Assets	¥ 8,382,804	¥ 8,496,547
Contribution to society and community funds assets			Total Liabilities and Net Assets	¥ 9,648,973	¥ 9,747,186
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			

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

- 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.
- Accumulated depreciation of tangible fixed assets: ¥60,156 million
- Assets in affiliated companies
 - Accounts receivable ¥233,796 million

Notes to Statements of Income

- 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)	Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥ 2,020,815	¥ 1,867,626	Accounts payable—trade	¥ 5,590	¥ 5,864
Accounts receivable—trade	111,637	108,426	Accounts payable—other	103,536	105,085
Real estate for sale in progress	1,583	564	Postal service business consignment payable	12,108	13,603
Merchandise	33	—	Banking business consignment payable	44,933	27,936
Supplies	1,101	1,463	Accrued expenses	21,261	19,611
Prepaid expenses	552	614	Income taxes payable	5,628	5,868
Accounts receivable	6,525	4,563	Consumption taxes payable	6,685	9,078
Insurance business consignment receivable	12,836	8,807	Deposits received	4,233	4,789
Others	27,432	22,197	Fund deposits for post offices	1,520,000	1,400,000
Allowance for doubtful accounts	(12)	(19)	Reserve for employees' bonuses	39,529	39,270
Total current assets	2,182,505	2,014,243	Reserve for loss on rebuilding of branches	68	739
Non-current assets			Reserve for loss on natural disaster	1,239	—
Tangible fixed assets			Asset retirement obligations	96	574
Buildings: net	329,728	315,590	Others	3,358	679
Structures: net	13,753	12,830	Total current liabilities	1,768,269	1,633,101
Machinery: net	194	164	Long-term liabilities		
Automobiles and other vehicles: net	1,308	887	Reserve for employees' retirement benefits	1,169,968	1,172,398
Tools and fixtures: net	21,475	17,492	Reserve for directors' retirement benefits	112	156
Land	611,369	610,399	Reserve for loss on rebuilding of branches	2,602	2,533
Construction in progress	46,033	99,027	Negative goodwill	298	99
Total tangible fixed assets	1,023,862	1,056,392	Asset retirement obligations	2,821	2,775
Intangible fixed assets			Deferred tax liabilities	—	69
Leaseholds	1,670	1,654	Others	16,212	9,143
Air rights	14,077	14,077	Total long-term liabilities	1,192,014	1,187,177
Telephone rights	159	160	Total Liabilities	¥ 2,960,284	¥ 2,820,278
Software	7,247	8,449	Net Assets		
Others	2,477	1,404	Shareholders' equity		
Total intangible fixed assets	25,633	25,747	Capital stock	¥ 100,000	¥ 100,000
Investments and other assets			Capital surplus		
Investment securities	14,573	14,634	Capital reserve	100,000	100,000
Stock of related parties	200	500	Total capital surplus	100,000	100,000
Others	4,672	10,634	Retained earnings		
Allowance for doubtful accounts	(1,622)	(1,173)	Other retained earnings		
Total investments and other assets	17,822	24,595	Reserve for special depreciation	—	29
Total non-current assets	1,067,318	1,106,735	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 Assets	¥ 3,249,823	¥ 3,120,978	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

- Valuation criteria and methods for securities
 - Held-to-maturity securities
Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method.
 - Shares of subsidiaries and related parties
Shares of subsidiaries and related parties are stated at cost using the moving-average method.
 - Available-for-sale securities
Securities without market quotations are stated at cost using the moving average method.
- Valuation criteria and methods for inventories
 - 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).
 - 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).
- Depreciation/amortization method for non-current assets
 - 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
 - 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).
 - 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.
 - Long-term prepaid expenses
Long-term prepaid expenses are amortized using the straight-line method.
- Criteria for allowances and reserves
 - 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.
 - 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.
 - 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.
 - 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.
 - 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.
- Principal matters serving as the basis for preparing financial statements
 - Consumption taxes
All figures are net of consumption taxes.
 - Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.
 - 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

- Accumulated depreciation of tangible fixed assets: ¥163,030 million
- Receivables and payables involving related parties

Accounts receivable and others	¥262 million
Accounts payable	¥12,457 million
- 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
- 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.
- 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

- 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	

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 shareholders 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)	Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥ 188,071	¥ 279,856	Accounts payable—trade	¥ 53,457	¥ 48,403
Accounts receivable—trade	126,321	133,238	Lease obligations	1,438	1,250
Securities	133,000	112,097	Accounts payable	139,719	161,230
Merchandise	2,847	2,782	Accrued expenses	12,173	11,456
Supplies	3,492	3,657	Income taxes payable	—	3,638
Prepaid expenses	1,040	837	Advance postal fees received	39,646	39,833
Income taxes receivable	1,004	—	Deposits received	326,905	323,703
Others	41,558	5,030	Reserve for employees' bonuses	39,620	39,428
Allowance for doubtful accounts	(1,049)	(1,226)	Reserve for refund for Fumi Cards	42	—
Total current assets	496,286	536,275	Others	1,587	1,285
Non-current assets			Total current liabilities	614,590	630,231
Tangible fixed assets			Long-term liabilities		
Automobiles and other vehicles: net	9,830	7,011	Lease obligations	2,215	701
Buildings: net	589,433	553,958	Reserve for employees' retirement benefits	1,048,986	1,027,469
Structures: net	12,341	11,668	Reserve for directors' retirement benefits	79	120
Machinery: net	23,558	20,448	Others	6,015	6,383
Tools and fixtures: net	9,683	7,709	Total long-term liabilities	1,057,297	1,034,676
Land	636,545	636,316	Total Liabilities	¥ 1,671,887	¥ 1,664,907
Leased assets: net	3,531	1,864	Net Assets		
Construction in progress	885	4,120	Shareholders' equity		
Total tangible fixed assets	1,285,809	1,243,098	Capital stock	¥ 100,000	¥ 100,000
Intangible fixed assets			Capital surplus		
Software	34,101	26,307	Capital reserve	100,000	100,000
Others	3,650	3,916	Total capital surplus	100,000	100,000
Total intangible fixed assets	37,752	30,223	Retained earnings		
Investments and other assets			Other retained earnings		
Stock of related parties	38,457	38,457	Retained earnings brought forward	(8,453)	(12,979)
Claims in bankruptcy	2,910	3,377	Total retained earnings	(8,453)	(12,979)
Long-term prepaid expenses	1,810	1,735	Total shareholders' equity	191,546	187,020
Others	3,312	2,133	Total Net Assets	¥ 191,546	¥ 187,020
Allowance for doubtful accounts	(2,905)	(3,373)	Total Liabilities and Net Assets	¥ 1,863,433	¥ 1,851,928
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			

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)	Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets:			Liabilities:		
Cash and due from banks (Notes 17 and 20):	¥ 5,050,921	¥ 2,744,630	Deposits (Notes 8, 9 and 20)	¥ 174,653,220	¥ 175,635,370
Cash	158,149	121,510	Payables under securities lending transactions (Notes 8 and 20)	8,083,860	8,302,091
Due from banks	4,892,771	2,623,119	Foreign exchanges (Note 3)	178	152
Call loans (Note 20)	429,663	1,206,290	Other liabilities (Note 10)	1,201,573	1,377,341
Receivables under securities borrowing transactions (Note 20)	4,483,396	5,778,828	Contingent liabilities (Note 11)		
Monetary claims bought (Note 20)	133,214	94,867	Reserve for employees' bonuses	4,797	5,185
Trading account securities (Notes 20 and 21):	282	216	Reserve for employees' retirement benefits (Note 24)	133,517	135,982
Trading Japanese government bonds	282	216	Reserve for directors' retirement benefits	133	170
Money held in trust (Notes 20 and 21)	1,806,768	3,715,446	Deferred tax liabilities (Note 25)	162,434	385,441
Securities (Notes 8, 19, 20, 21 and 22):	175,026,411	175,953,292	Acceptances and guarantees (Notes 7 and 8)	110,000	160,000
Japanese Government Bonds	146,460,963	144,939,816	Total liabilities	184,349,715	186,001,735
Japanese local government bonds	5,658,837	5,735,585	Net assets (Note 16):		
Japanese corporate bonds	12,907,752	12,846,374	Common stock	3,500,000	3,500,000
Other securities	9,998,859	12,431,516	Capital surplus	4,296,285	4,296,285
Loans (Notes 20 and 23):	4,238,772	4,134,547	Retained earnings	894,828	1,150,595
Loans on deeds	4,015,810	3,912,823	Total shareholders' equity	8,691,114	8,946,881
Overdrafts	222,961	221,724	Net unrealized gains on available-for-sale securities (Note 21)	392,251	941,871
Foreign exchanges (Note 3)	4,735	2,630	Deferred gains (losses) on hedges	10,269	(70,589)
Other assets (Notes 4, 8 and 20)	1,954,512	1,804,199	Total valuation and translation adjustments	402,520	871,281
Tangible fixed assets (Note 5)	151,255	160,171	Total net assets	9,093,634	9,818,162
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	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 com-

ponents 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.

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

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, 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)

(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)

(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 draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank's credit. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank's established internal procedures and takes necessary measures to protect its credit.

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

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)	Item	2011 (As of March 31, 2011)	2012 (As of March 31, 2012)
Assets			Liabilities		
Cash and deposits	¥ 2,046,178	¥ 1,224,924	Policy reserves and other reserves	¥ 92,817,891	¥ 88,651,016
Cash	5,417	5,514	Reserve for outstanding claims	1,020,922	995,735
Deposits	2,040,760	1,219,410	Policy reserves	89,164,763	85,143,840
Call loans	595,689	597,714	Reserve for policyholders' dividends	2,632,205	2,511,441
Receivables under securities borrowing transactions	1,266,649	1,972,888	Due to reinsurers	222	266
Monetary claims bought	40,698	14,591	Other liabilities	2,293,130	3,230,062
Money held in trust	225,365	242,747	Payables under securities lending transactions	1,477,611	2,442,224
Securities	77,173,062	74,587,160	Income taxes payable	18,876	23,461
Japanese government bonds	64,103,036	59,962,157	Accounts payable	635,443	602,443
Japanese local government bonds	6,255,799	7,777,903	Accrued expenses	12,129	11,267
Japanese corporate bonds	6,090,524	6,227,510	Unearned revenues	0	0
Stocks	—	984	Deposits received	13,501	12,293
Foreign securities	723,702	618,605	Deposits received from Management Organization for Postal Savings and Postal Life Insurance	121,910	104,224
Loans	14,547,498	13,929,040	Derivatives	1,379	658
Policy loans	10,060	20,993	Lease obligations	1,105	1,116
Industrial and commercial loans	461,098	578,602	Asset retirement obligations	15	15
Loans to Management Organization for Postal Savings and Postal Life Insurance	14,076,339	13,329,443	Suspense receipts	10,280	31,907
Tangible fixed assets	89,812	85,832	Other liabilities	876	451
Land	40,726	40,726	Reserve for possible claim payments	2,303	—
Buildings	34,028	33,302	Reserve for employees' retirement benefits	55,721	56,870
Leased assets	1,052	1,063	Reserve for directors' retirement benefits	131	162
Construction in progress	31	10	Reserve under the special law	409,674	458,215
Other tangible fixed assets	13,973	10,730	Reserve for price fluctuations	409,674	458,215
Intangible fixed assets	95,974	102,155	Total liabilities	¥ 95,579,075	¥ 92,396,595
Software	95,951	102,128	Net assets		
Other intangible fixed assets	22	27	Capital stock	¥ 500,000	¥ 500,000
Agency accounts receivable	127,916	115,185	Capital surplus	500,044	500,044
Other assets	269,188	447,715	Legal capital surplus	405,044	405,044
Accounts receivable	48,062	88,884	Other capital surplus	95,000	95,000
Prepaid expenses	549	594	Retained earnings	186,466	234,881
Accrued income	215,776	351,417	Legal retained earnings	5,422	9,285
Money on deposit	1,344	1,660	Other retained earnings	181,044	225,596
Suspense payments	1,846	3,415	Retained earnings brought forward	181,044	225,596
Other assets	1,609	1,742	Total shareholders' equity	1,186,511	1,234,926
Deferred tax assets	309,781	369,795	Net unrealized gains (losses) on securities	21,179	57,151
Allowance for doubtful accounts	(1,050)	(1,079)	Total valuation and translation adjustments	21,179	57,151
Total assets	¥ 96,786,765	¥ 93,688,672	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)		2011 (From April 1, 2010 to March 31, 2011)	2012 (From April 1, 2011 to March 31, 2012)
Shareholders' equity:			Valuation and translation adjustments:		
Capital stock:			Net unrealized gains (losses) on securities:		
Balance at the beginning of the year	¥ 500,000	¥ 500,000	Balance at the beginning of the year	¥ 42,599	¥ 21,179
Balance at the end of the year	¥ 500,000	¥ 500,000	Changes during the year:		
Capital surplus:			Net changes other than shareholders' equity	(21,420)	35,971
Legal capital surplus:			Total changes during the year	(21,420)	35,971
Balance at the beginning of the year	¥ 405,044	¥ 405,044	Balance at the end of the year	¥ 21,179	¥ 57,151
Balance at the end of the year	¥ 405,044	¥ 405,044	Total valuation and translation adjustments:		
Other capital surplus:			Balance at the beginning of the year	¥ 42,599	¥ 21,179
Balance at the beginning of the year	¥ 95,000	¥ 95,000	Changes during the year:		
Balance at the end of the year	¥ 95,000	¥ 95,000	Net changes other than shareholders' equity	(21,420)	35,971
Total capital surplus:			Total changes during the year	(21,420)	35,971
Balance at the beginning of the year	¥ 500,044	¥ 500,044	Balance at the end of the year	¥ 21,179	¥ 57,151
Balance at the end of the year	¥ 500,044	¥ 500,044	Total net assets:		
Retained earnings:			Balance at the beginning of the year	¥ 1,169,366	¥ 1,207,690
Legal retained earnings:			Changes during the year:		
Balance at the beginning of the year	¥ 1,915	¥ 5,422	Dividends	(17,531)	(19,319)
Changes during the year:			Net income	77,276	67,734
Dividends	3,506	3,863	Net changes other than shareholders' equity	(21,420)	35,971
Total changes during the year	3,506	3,863	Total changes during the year	38,323	84,387
Balance at the end of the year	¥ 5,422	¥ 9,285	Balance at the end of the year	¥ 1,207,690	¥ 1,292,077
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			

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

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

- Expenses of transactions with related parties amounted to ¥7,504 million.
- 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.
- 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.
- Losses on money held in trust include impairment losses of ¥22,938 million.
- 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.
- 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.
- 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)	Shareholder 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 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.

Data Compilation

Others

CONTENTS

1. Service Hours and Points of Contact for Inquiries

1. Service Hours	192
2. Points of Contact for Inquiries	193
3. Online Inquiries	195

2. Japan Post Group Privacy Policy

1. Japan Post Group Privacy Policy	196
2. Sharing of Personal Data among Japan Post Group Companies.....	197

3. Japan Post Group Conflicts of Interest Management Policy

Details of policy	198
-------------------------	-----

4. Japan Post Group Information Security Declaration

Japan Post Group Information Security Declaration	198
--	-----

1. Service Hours and Points of Contact for Inquiries

1

Service Hours

1. Japan Post Network (Post Offices)

■ Post Office Service Hours

Days of the week	Mail services	Deposit services	Insurance services
Monday through Friday	9:00 to 17:00 (Some offices are open until 19:00)	9:00 to 16:00 (Some offices are open until 18:00)	9:00 to 16:00 (Some offices are open until 18:00)
Saturday	Closed (Some offices are open from 9:00 to 15:00 or 9:00 to 17:00)	Closed	Closed
Sunday and holidays	Closed (Some offices are open from 9:00 to 12:30)	Closed	Closed

Notes: 1. Hours of certain offices may differ from the above because of their location or other factors.

2. Offices are closed from December 31 through January 3; however, only mail services are available during this period at some offices.

2. Japan Post Service

■ Yu-Yu Window

Branches of Japan Post Service provide access to mail returned because of the absence of the recipient from his/her home and offer services after normal post office hours that include accepting regular mail, Yu-Pack parcel post and certain other items and selling

postal stamps, revenue stamps and certain other items.

Please confirm the service hours of individual branches via our website (<http://www.post.japanpost.jp/index.html>) (Japanese only).

3. Japan Post Bank

■ Service Hours

Days of the week	Hours services are available
Monday through Friday	9:00 to 16:00 (Some offices are open until 18:00)
Saturday, Sunday and holidays	Closed

Notes: 1. Offices are closed from December 31 to January 3.

2. Service hours of some offices may differ from those listed above.

■ ATM Service Hours

Service hours of ATMs are set individually according to their location but the typical hours when ATM services are available are shown in the table below.

For the service hours of individual ATMs, check the information posted at the respective ATMs or "Branches and ATM Information"

on the Japan Post Bank website (http://www.jp-bank.japanpost.jp/access/access_index.html) (Japanese only) or "Search Post Offices and ATMs" via the Japan Post Holdings website (<http://map.japanpost.jp/pc>) (Japanese only).

Days of the week	Japan Post Bank branches	Post offices (Japan Post Bank agents)	Sub-branches (Installation outside store in station and supermarket, etc.)
Monday through Friday	8:00 to 21:00 (7:00 to 23:00 at some branches)	9:00 to 17:30 (7:00 to 23:00 at some post offices)	9:00 to 19:00 (7:00 to 23:00 at some sub-branches)
Saturday	9:00 to 19:00 (9:00 to 21:00 at some branches)	9:00 to 12:30 (9:00 to 21:00 at some post offices)	9:00 to 17:00 (8:00 to 23:00 at some sub-branches)
Sunday and holidays (Including January 2 and 3)	9:00 to 19:00	9:00 to 17:00 (Service at approx. 6,500 post offices; 9:00 to 19:00 at some post offices)	9:00 to 17:00 (8:00 to 21:00 at some sub-branches)

- Notes: 1. The service hours listed above are typical ATM operating hours, but actual hours may differ by ATM.
 2. Certain ATMs are not available for service on Saturday, Sunday and holidays.
 3. Sub-branches (installation in stations, supermarkets and other locations outside of post offices) do not handle coins or ordinary payments.
 4. The following services are not available via ATMs on (a) Monday through Friday before 7:00 and after 21:00, and (b) before 9:00 and after 17:00 on Saturday, Sunday and holidays: ordinary deposits, *TEIGAKU* deposits, time deposits, coin withdrawals and fund transfers.
 5. Transfers (making remittances to other financial institutions) for which applications are accepted after 15:00 from Monday to Friday and/or for those accepted on Saturday, Sunday and holidays (including January 2, 3 and December 31) will be handled on the following business day.
 6. Certain ATM and cash dispenser (CD) services are not available at the ATMs and CDs of affiliated financial institutions and others at certain times.
 7. The Japan Post Group is currently conducting trials of 24-hour ATM services at 16 locations nationwide.
 8. The commission charged by affiliated financial institutions for using their cash card in Japan Post Bank ATMs differs according to the institution. Please inquire to the specific affiliated financial institution.

4. Japan Post Insurance

Insurance services are available at the insurance counters of post offices.

2

Points of Contact for Inquiries

1. For Information and Advice Related to Japan Post Group

For inquiries please call the following phone number: 0120-23-28-86 (toll free). Follow the Interactive Voice Response (IVR) guide to be connected to the appropriate call center.

Telephone number	Select	Name	Business hours
Toll-free phone number: 0120-23-28-86 (Japanese only)	[*]+[1]	Japan Post Service Customer Service Consulting Center	Weekdays: 8:00 to 22:00 Saturday, Sunday and holidays: 9:00 to 22:00
	[*]+[2]→1	Japan Post Bank Call Center	Weekdays: 8:30 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)
	[*]+[2]→2	Japan Post Bank Card Loss Center	Available 24-hours, all year round
	[*]+[3]→1	Japan Post Insurance Call Center	Weekdays: 9:00 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Excluding January 1 to January 3)
	[*]+[3]→2	Japan Post Insurance Card Loss Center	Weekdays: 8:30 to 21:00 (Excluding Saturdays, Sundays and holidays, and December 31 to January 3)
	[*]+[4]	Japan Post Network Customer Service Consulting Center	Weekdays: 9:00 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)

Customers using mobile phones can make inquiries and receive advice concerning postal services and post offices via the following number.

0570-046-666

(Communications charge must be paid by the customer.)

For those who wish to use English, please dial the following number.

0570-046-111

(Communications charge must be paid by the customer.)

(Calls cannot be made from overseas.)

- Notes: 1. If it is not possible to confirm the identity of the person speaking on the telephone, it may not be possible to give a detailed response to a particular inquiry.
 2. In order to improve service and manage operations, effective calls to the Customer Service Consulting Center are recorded.

2. For Information and Advice Related to Japan Post Bank

* Unless otherwise noted, telephone numbers are available toll-free using mobile and Personal Handyphone System (PHS) phones. There are certain cases where Internet Protocol (IP) phones and other equipment cannot be used.

[Contact Information for Lost or Stolen Passbooks or Cards]

■ Card Loss Center

Contact the following to halt transactions for lost or stolen passbooks (certificates) or cash cards.

[Contact Information for Various Types of Inquiries]

■ Japan Post Bank Call Center

Contact the following number for inquiries and consultation regarding products and services.

Service hours	Telephone number
Available 24 hours all year round	0120-794889 (Japanese only) Calls from overseas: +81-45-345-1101 (Communication charges required) (Japanese only)

Service hours	Telephone number
Weekdays: 8:30 to 21:00	0120-108420 (Japanese only)
Saturday, Sunday and holidays: 9:00 to 17:00	

Note: Service is available from 9:00 to 17:00 during the period from December 31 to January 3.

■ Investment Trust Call Center (*Toushin Oshiete Call*)

Information regarding investment trusts is also available via the call center and our investment trust website.

Investment trust website:
<http://www.jp-bank.japanpost.jp/toushin/>
(Japanese only)

Service hours	Telephone number
9:00 to 18:00	0800-800-4104 (Japanese only)

Note: Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.

■ Defined Contribution Pension Call Center

Material requests and inquiries regarding enrollment of defined contribution pensions (individual annuities) can be made via the following number.

Service hours	Telephone number
9:00 to 21:00	0120-401034 (Japanese only) Alternative phone number when the number above is not available: 044-753-5835 (Communication charges required) (Japanese only)

Note: Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.

■ Japan Post Bank Transfers Inquiry Center

Inquiries regarding transfers between other financial institutions, including branch name, deposit item and account number can be made via the following number.

Service hours	Telephone number
Available 24 hours all year round	0120-253811 (Japanese only)

■ English-Language Information Services

For those who wish to make inquiries in English regarding the products and services of Japan Post Bank, please call the following number during the hours indicated.

Service hours	Telephone number
8:30 to 18:00	0120-085420

Notes: 1. Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.
2. Calls to this number cannot be made from mobile phones, PHS, IP or certain other types of devices.

■ Designated Dispute Resolution Institution

Japan Post Bank has formed a contract with the Japanese Bankers Association as a designated dispute resolution institution. (one company)

Point of contact (Japanese Bankers Association Counseling Office) is shown on the right.

Service hours	Telephone number
9:00 to 17:00	0570-017109 or 03-5252-3772

Notes: 1. Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.
2. For details, please visit the Japanese Bankers Association Counseling Office website at (<http://www.zenginkyo.or.jp/adr/>).

3. For Information and Advice Related to Japan Post Insurance

■ Japan Post Insurance Call Center

The Japan Post Insurance Call Center handles inquiries regarding insurance products, premium rates and various types of procedure methods. Please note that in some instances immediate responses cannot be provided depending on the nature of the inquiry.

For responses following the completion of various procedures, information will be provided after the call is forwarded to the service center.

Service hours	Telephone number
Weekdays: 9:00 to 21:00	0120-552950 (Japanese only)
Saturday, Sunday and holidays: 9:00 to 17:00	

Note: Excluding the period from January 1 to January 3.

3

Online Inquiries

We can also handle inquiries via the Japan Post Holdings website (<http://www.japanpost.jp/faq/index03.html>).

Please click the button for the link to the relevant company depending on the details of the inquiry.

2. Japan Post Group Privacy Policy

1

Japan Post Group Privacy Policy

The Japan Post Group ("the Group") is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting personal data is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy for protecting personal data, which is generally known as the Group's privacy policy.

(1) Compliance with laws and regulations

When handling personal data, the Group complies with all laws and regulations associated with protecting personal data, national government policies and the provisions of the privacy policy ("laws, regulations, etc.," hereafter).

(2) Purpose of using personal data

The Group specifies the purpose of using personal data and uses this data solely for achieving this purpose.

The purposes for which Group companies use personal data are listed in the privacy policies on each company's website and where applicable.

(3) Acquisition of personal data

The Group acquires personal data using methods that are legal and proper.

(4) Security measures for management of personal data

The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal data. In addition, the Group properly supervises employees and outsourcing parties.

(5) Provision of personal data to third parties

Except in cases where required by laws, regulations, etc., the Group does not supply personal data to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal data, this sharing is performed only after providing prior notice or public announcements of items required by law.

(6) Procedures for requesting disclosure of personal data

The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

(7) Points of contact for inquiries

Inquiries and requests regarding disclosure and other uses of personal data can be made to designated points of contact.

(8) Continuous improvements

The Group constantly reviews and improves its management and handling methods for the protection of personal data in response to advances in information technology and shifts in social demands.

2

Sharing of Personal Data among Japan Post Group Companies

The Japan Post Group began with the October 2007 privatization of Japan's postal system. Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

(1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

(2) Scope of parties involved in shared use

Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

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

(3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data Japan Post Holdings Co., Ltd.

(5) Other items

- 1) Customer data from pre-privatization postal insurance policy contracts will be used for insurance sales activities only after receiving the prior consent of the applicable customers.
- 2) Prior consent of the applicable customers will be received before using data on savings transactions (private financial information) for insurance sales activities and before using data on transactions (private financial information) involving life insurance policies (including postal insurance) to sell savings products.

3. Japan Post Group Conflicts of Interest Management Policy

Details of policy

The Japan Post Group ("the Group") conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following companies in the Japan Post Group ("Group companies") fall within the scope of the Conflicts of Interest Management Policy

- Japan Post Bank
- Japan Post Insurance
- Japan Post Network

2. The Group will manage conflicts of interest for the transactions stipulated below.

(1) Transactions that may unduly impair the interests of customers among the following transactions:

- Transaction with a customer that has an interest in one of the Group companies based on an agreement
- Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
- Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement

(2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:

- (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
- (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
- (3) Discontinue the target transaction or the secondary transaction with the customer
- (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests

4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.

5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

4. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings, Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance as the Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for customers to use our services with confidence. Our activities reflect

this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. We will establish a basic policy regarding information security for the Japan Post Group and follow this policy for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

Guide to Websites of the Japan Post Group Announcement of Financial Results



<http://www.japanpost.jp/>

日本郵政
HOLDINGS
JAPAN POST HOLDINGS



<http://www.jp-network.japanpost.jp/>

郵便局
NETWORK
JAPAN POST NETWORK



<http://www.post.japanpost.jp/>

日本郵便
POST
JAPAN POST SERVICE



<http://www.jp-bank.japanpost.jp/>

ゆうちょ銀行
BANK
JAPAN POST BANK



<http://www.jp-life.japanpost.jp/>

かんぽ生命
INSURANCE
JAPAN POST INSURANCE



<http://www.japanpost.jp/financial/index02.html>

Announcement of Financial Results

Japan Post Group Annual Report 2012 July 2012

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