Data Compilation

Financial Data

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Note: Figures have been truncated without rounding.

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Consolidated ordinary income	19,961,705	18,773,630	17,468,947	16,661,440	15,849,185
Consolidated net ordinary income	830,565	1,007,260	956,917	1,176,860	1,225,094
Consolidated net income	422,793	450,220	418,929	468,907	562,753
Consolidated comprehensive income	—	—	410,132	973,067	1,551,771
Consolidated net assets	8,746,172	9,625,962	9,999,952	10,935,358	12,448,197
Consolidated total assets	305,894,430	298,571,321	292,933,013	292,126,555	292,892,975
Consolidated capital adequacy ratio (domestic standard)	67.62%	69.77%	61.30%	57.70%	57.38%
Consolidated solvency margin ratio	—	—	—	1,592.5%	1,804.8%

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 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 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Operating income	303,099	317,087	305,878	287,633	265,304
Net operating income	107,173	144,339	140,752	133,264	121,207
Net ordinary income	109,919	147,179	143,466	135,773	125,666
Net income	109,026	145,389	153,622	151,404	145,228
Net assets	8,147,114	8,265,323	8,382,804	8,496,547	8,602,843
Total assets	9,525,259	9,625,504	9,648,973	9,747,186	9,711,170

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

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Operating income	1,293,229	1,263,975	1,256,349	1,208,447	2,054,124
Net operating income	68,375	52,173	49,548	33,417	91,219
Net ordinary income	83,880	62,439	58,260	42,745	100,299
Net income	40,843	32,981	30,661	18,826	83,012
Net assets	244,352	267,122	289,538	300,700	543,076
Total assets	3,256,547	3,252,318	3,249,823	3,120,978	4,806,509

Note: On October 1, 2012, Japan Post Network Co., Ltd. merged with Japan Post Service Co., Ltd. and the name of the merged entity was changed to Japan Post Co., Ltd. Therefore, figures for Japan Post Network Co., Ltd. are listed for fiscal year 2012 and prior fiscal years. For fiscal 2013, the combined figures for Japan Post Network during the period (April-September 2012) prior to the merger and for Japan Post Co., Ltd. during the period (October 2012-March 2013) following the merger between Japan Post Network Co., Ltd. and Japan Post Service Co., Ltd. are listed.

[Postal service business segment] (Note)

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Operating income	1,865,282	1,813,048	1,779,870	1,764,861	1,754,426
Net operating income	44,888	42,779	(103,473)	(22,354)	37,405
Net ordinary income	58,974	56,997	(89,093)	(10,007)	47,835
Net income	29,812	(47,493)	(35,435)	(4,525)	31,146

Note: As for the term prior to the merger, the figures for Japan Post Service Co., Ltd. are listed, and after the merger, the figures for the postal service business segment are listed.

[Post office business segment] (Note)

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Operating income	1,293,229	1,263,975	1,256,349	1,208,447	1,187,938
Net operating income	68,375	52,173	49,548	33,417	27,216
Net ordinary income	83,880	62,439	58,260	42,745	32,296
Net income	40,843	32,981	30,661	18,826	28,915

Note: As for the term prior to the merger, the figures for Japan Post Network Co., Ltd. are listed, and after the merger, the figures for the post office business segment are listed.

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

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Ordinary income (Revenues)	2,488,552	2,207,942	2,205,344	2,234,596	2,125,888
Net ordinary income	385,243	494,252	526,550	576,215	593,535
Net income	229,363	296,758	316,329	334,850	373,948
Net assets	8,179,574	8,839,547	9,093,634	9,818,162	10,997,558
Total assets	196,480,796	194,678,352	193,443,350	195,819,898	199,840,681
Capital adequacy ratio (non-consolidated, domestic standard)	92.09%	91.62%	74.82%	68.39%	66.04%

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 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Ordinary income	15,533,727	14,591,640	13,375,468	12,538,618	11,834,920
Net ordinary income	214,285	379,623	422,207	531,388	529,375
Net income	38,316	70,126	77,276	67,734	91,000
Net assets	1,072,756	1,169,366	1,207,690	1,292,077	1,464,771
Total assets	106,577,963	100,969,782	96,786,765	93,688,672	90,462,364
Solvency margin ratio	— 1,429.7%	— 1,663.9%	1,153.9% 1,821.6%	1,336.1% —	1,467.9% —

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.

2. Japan Post Group Companies —Consolidated Financial Data

The consolidated balance sheets as of March 31, 2013 and 2012 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	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Assets		
Cash and due from banks	5,003,547	10,862,494
Call loans	1,804,004	2,041,185
Receivables under securities borrowing transactions	7,751,717	10,472,820
Monetary claims bought	109,458	486,253
Trading account securities	216	247
Money held in trust	3,958,193	3,295,696
Securities	250,715,496	244,330,341
Loans	18,063,587	16,659,553
Foreign exchanges	2,630	3,051
Other assets	1,155,007	1,175,289
Tangible fixed assets	2,753,564	2,712,047
Buildings	1,027,947	1,077,645
Land	1,451,779	1,447,840
Construction in progress	104,017	15,679
Other tangible fixed assets	169,820	170,881
Intangible fixed assets	238,817	253,244
Software	222,112	236,583
Other intangible fixed assets	16,704	16,660
Deferred tax assets	371,261	462,515
Customers' liabilities for acceptances and guarantees	160,000	145,000
Allowance for doubtful accounts	(8,223)	(6,765)
Contribution to society and community funds assets	47,275	—
Total Assets	**292,126,555**	**292,892,975**

Item	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Liabilities		
Deposits	174,434,011	174,857,218
Policy reserves	88,651,016	84,746,052
Reserve for outstanding claims	995,735	947,123
Policy reserve	85,143,840	81,401,981
Reserve for policyholders' dividends	2,511,441	2,396,947
Payables under securities lending transactions	10,744,316	12,557,798
Foreign exchanges	152	272
Other liabilities	2,856,111	3,383,301
Reserve for employees' bonuses	89,391	96,017
Reserve for employees' retirement benefits	3,381,516	3,259,201
Reserve for directors' retirement benefits	832	890
Reserve under the special laws	458,215	522,872
Reserve for price fluctuations in security investments	458,215	522,872
Deferred tax liabilities	415,631	876,152
Acceptances and guarantees	160,000	145,000
Total Liabilities	**281,191,197**	**280,444,778**
Net Assets		
Capital stock	3,500,000	3,500,000
Capital surplus	4,503,856	4,503,856
Retained earnings	1,942,074	2,527,181
Total shareholders' equity	9,945,930	10,531,037
Contribution to society and community funds	60,204	—
Valuation and translation adjustments of contribution to society and community funds	1,080	—
Net unrealized gains (losses) on available-for-sale securities	997,387	2,292,561
Deferred gains (losses) on derivatives under hedge accounting	(70,589)	(376,823)
Total accumulated other comprehensive income	926,797	1,915,738
Minority interests	1,345	1,421
Total Net Assets	**10,935,358**	**12,448,197**
Total Liabilities and Net Assets	**292,126,555**	**292,892,975**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Ordinary income	**16,661,440**	**15,849,185**
Postal service income	1,740,741	1,734,593
Banking service income	2,232,512	2,124,905
Insurance service income	12,538,241	11,834,831
Other ordinary income	149,945	154,855
Ordinary expenses	**15,485,113**	**14,626,617**
Operating expenses	12,965,511	12,164,888
Personnel expenses	2,293,923	2,283,878
Depreciation	204,569	162,440
Other ordinary expenses	21,108	15,409
Income (expenses) from contribution to society and community funds assets	**533**	**2,527**
Income from contribution to society and community funds assets	533	2,527
Expenses for contribution to society and community funds assets	0	0
Net ordinary income	**1,176,860**	**1,225,094**
Extraordinary gains	**4,858**	**1,969**
Gains on sales of fixed assets	323	412
Gain on negative goodwill	3,228	—
Compensation for transfer	337	436
Gain on liquidation of subsidiaries and affiliates	692	352
Compensation income	—	622
Other extraordinary gains	276	144
Extraordinary losses	**62,241**	**79,911**
Losses on sales and disposal of fixed assets	6,036	4,832
Impairment losses	5,912	5,584
Provision for reserve under the special law	48,541	64,656
Provision for reserve for price fluctuations	48,541	64,656
Group reorganization expenses	—	4,502
Other extraordinary losses	1,750	335
Provision for reserve for policyholders' dividends	271,963	307,427
Net income before income taxes and minority interests	**847,514**	**839,725**
Income taxes current	437,908	446,519
Income taxes deferred	(59,422)	(169,624)
Total income taxes	**378,485**	**276,894**
Income before minority interests	**469,028**	**562,831**
Minority interests	121	77
Net income	**468,907**	**562,753**

Consolidated Statements of Comprehensive Income

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Income before minority interests	**469,028**	**562,831**
Other comprehensive income	**504,038**	**988,940**
Net unrealized gains (losses) on available-for-sale securities	584,898	1,295,173
Deferred gains (losses) on derivatives under hedge accounting	(80,859)	(306,233)
Total comprehensive income	**973,067**	**1,551,771**
Total comprehensive income attributable to:		
Owners of the parent	972,946	1,551,694
Minority interests	121	77

Consolidated Statements of Changes in Net Assets

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of the current fiscal year	3,500,000	3,500,000
Balance at the end of the current fiscal year	3,500,000	3,500,000
Capital surplus		
Balance at the beginning of the current fiscal year	4,503,856	4,503,856
Balance at the end of the current fiscal year	4,503,856	4,503,856
Retained earnings		
Balance at the beginning of the current fiscal year	1,526,711	1,942,074
Changes during the period		
Cash dividends	(38,404)	(37,851)
Net income for the period	468,907	562,753
Contribution to society and community funds	(15,140)	60,204
Total changes during the period	415,362	585,106
Balance at the end of the current fiscal year	1,942,074	2,527,181
Total shareholders' equity		
Balance at the beginning of the current fiscal year	9,530,568	9,945,930
Changes during the period		
Cash dividends	(38,404)	(37,851)
Net income for the period	468,907	562,753
Contribution to society and community funds	(15,140)	60,204
Total changes during the period	415,362	585,106
Balance at the end of the current fiscal year	9,945,930	10,531,037
Contribution to society and community funds		
Balance at the beginning of the current fiscal year	45,063	60,204
Changes during the period		
Net changes other than shareholders' equity	15,140	(60,204)
Total changes during the period	15,140	(60,204)
Balance at the end of the current fiscal year	60,204	—
Valuation and translation adjustments of contribution to society and community funds		
Balance at the beginning of the current fiscal year	337	1,080
Changes during the period		
Net changes other than shareholders' equity	743	(1,080)
Total changes during the period	743	(1,080)
Balance at the end of the current fiscal year	1,080	—

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities		
Balance at the beginning of the current fiscal year	412,489	997,387
Changes during the period		
Net changes other than shareholders' equity	584,898	1,295,173
Total changes during the period	584,898	1,295,173
Balance at the end of the current fiscal year	997,387	2,292,561
Deferred gains (losses) on derivatives under hedge accounting		
Balance at the beginning of the current fiscal year	10,269	(70,589)
Changes during the period		
Net changes other than shareholders' equity	(80,859)	(306,233)
Total changes during the period	(80,859)	(306,233)
Balance at the end of the current fiscal year	(70,589)	(376,823)
Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	422,759	926,797
Changes during the period		
Net changes other than shareholders' equity	504,038	988,940
Total changes during the period	504,038	988,940
Balance at the end of the current fiscal year	926,797	1,915,738
Minority interests		
Balance at the beginning of the current fiscal year	1,224	1,345
Changes during the period		
Net changes other than shareholders' equity	121	76
Total changes during the period	121	76
Balance at the end of the current fiscal year	1,345	1,421
Total net assets		
Balance at the beginning of the current fiscal year	9,999,952	10,935,358
Changes during the period		
Cash dividends	(38,404)	(37,851)
Net income for the period	468,907	562,753
Contribution to society and community funds	(15,140)	60,204
Net changes other than shareholders' equity	520,043	927,731
Total changes during the period	935,406	1,512,838
Balance at the end of the current fiscal year	10,935,358	12,448,197

Consolidated Statements of Cash Flows

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Cash flows from operating activities:		
Net income before income taxes and minority interests	847,514	839,725
Depreciation	204,569	162,440
Impairment losses	5,912	5,584
Equity in losses (gains) of affiliates	(29)	(22)
Gain on negative goodwill	(3,228)	—
Increase (decrease) in reserve for outstanding claims	(25,187)	(48,611)
Increase (decrease) in policy reserve	(4,020,923)	(3,741,858)
Interest on reserve for policyholders' dividends	13,328	9,008
Provision for reserve for policyholders' dividends	271,963	307,427
Increase (decrease) in allowance for doubtful accounts	(329)	(1,458)
Increase (decrease) in reserve for employees' bonuses	(79)	6,625
Increase (decrease) in reserve for employees' retirement benefits	(110,387)	(122,314)
Increase (decrease) in reserve for directors' retirement benefits	226	58
Increase (decrease) in reserve for price fluctuations	48,541	64,656
Interest and dividend income-accrual basis	(1,542,986)	(1,501,699)
Interest expenses-accrual basis	2,002	3,790
Interests and dividend income	(2,006,939)	(1,876,142)
Interest expenses	333,629	349,299
Losses (gains) related to securities	(40,664)	(84,828)
Losses (gains) on money held in trust	(55,672)	(80,281)
Losses (gains) on foreign exchanges	32,052	(96,943)
Losses (gains) on sales and disposal of fixed assets	5,503	4,354
Group reorganization expenses	—	4,502
Net (increase) decrease in loans and bills discounted	102,604	165,141
Net increase (decrease) in deposits	844,852	423,206
Net (increase) decrease in negotiable certificates of deposit	460,000	(50,000)
Net (increase) decrease in call loans	(738,267)	(595,419)
Net (increase) decrease in receivables under securities borrowing transactions	(1,295,432)	(2,362,705)
Net increase (decrease) in payables under securities lending transactions	218,230	1,141,147
Net (increase) decrease in foreign exchange assets	2,104	(421)
Net increase (decrease) in foreign exchange liabilities	(25)	119
Interests and dividends received	2,196,867	2,064,065
Interest paid	(189,374)	(172,227)
Others	(52,146)	(40,573)
Subtotal	(4,491,770)	(5,224,352)
Interests and dividend income-cash basis	1,472,245	1,583,241
Interest expenses-cash basis	(2,015)	(3,791)
Dividends to policyholders paid	(405,549)	(430,448)
Income taxes paid	(309,341)	(508,261)
Others	—	(363)
Net cash used in operating activities	**(3,736,431)**	**(4,583,976)**

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Cash flows from investing activities:		
Payments for purchase of call loans	(30,579,814)	(30,330,152)
Proceeds from redemption of call loans	30,577,789	30,724,414
Payments for purchase of monetary claims bought	(123,493)	(2,044,334)
Proceeds from sales and redemption of monetary claims bought	149,993	1,632,157
Net increase (decrease) in receivables/payables under securities borrowing/lending transactions	258,374	313,935
Payments for purchase of securities	(66,183,140)	(87,757,707)
Proceeds from sales of securities	4,251,866	5,224,515
Proceeds from redemption of securities	63,685,936	91,598,170
Payments for increase in money held in trust	(3,119,068)	(766,930)
Proceeds from decrease in money held in trust	1,179,690	959,112
Payments for loans	(2,068,607)	(1,802,877)
Proceeds from collection of loans	2,700,460	3,034,930
Payments for purchase of tangible fixed assets	(135,850)	(70,636)
Proceeds from sales of tangible fixed assets	1,129	1,598
Payments for purchase of intangible fixed assets	(71,802)	(88,083)
Proceeds from purchase of shares accompanied by change of scope of consolidation	2,392	—
Others	374,922	(196,540)
Net cash provided by investing activities	**900,778**	**10,431,572**
Cash flows from financing activities:		
Proceeds from borrowings	2,310	4,370
Repayments of borrowings	(2,462)	(3,734)
Dividends paid	(38,404)	(37,851)
Dividends paid to minority shareholders	—	(1)
Others	(2,650)	(2,019)
Net cash used in financing activities	**(41,207)**	**(39,236)**
Foreign currency translation adjustments on cash and cash equivalents	**603**	**687**
Net increase (decrease) in cash and cash equivalents	**(2,876,257)**	**5,809,046**
Cash and cash equivalents at beginning of year	**7,437,605**	**4,561,347**
Cash and cash equivalents at end of year	**4,561,347**	**10,370,394**

Notes to Consolidated Financial Statements

Basis of Presentation of Consolidated Financial Statements

1. The scope of consolidation

(1) Consolidated subsidiaries: 15

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

On October 1, 2012, Japan Post Network Co., Ltd. changed its corporate name to Japan Post Co., Ltd. and merged with Japan Post Service Co., Ltd.

(2) Non-consolidated subsidiaries: 2

Tokyo Beiyu Co., Ltd.

Nittei Butsuryu Gijutsu Co., Ltd.

The respective and aggregate effect of the companies, which are not accounted for in the scope of consolidation, on total assets, ordinary income, net income (loss) (amount corresponding to Japan Post Group's equity position), retained earnings (amount corresponding to Japan Post Group's equity position), accumulated other comprehensive income (amount corresponding to Japan Post Group's equity position) and others 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. Application of the equity method

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

None

(2) Equity-method affiliates: 2

SDP Center Co., Ltd.

ATM Japan Business Service,Ltd.

ATM Japan Business Service,Ltd. is included in the scope of application of the equity method from the current fiscal year due to the acquisition of its shares.

(3) Non-consolidated subsidiaries not accounted for by the equity method: 2

Tokyo Beiyu Co., Ltd.

Nittei Butsuryu Gijutsu Co., Ltd.

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

(4) Affiliates not accounted for by the equity method

None

3. The balance sheet dates of consolidated subsidiaries

Fiscal year-end for consolidated subsidiaries

End of March: 15

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. For available-for-sale securities, in principle, equity securities are stated at average quoted market prices over the month 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).

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

(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 straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2-50 years

Others: 2-75 years

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Depreciation of tangible fixed assets was previously computed by the declining balance method except for buildings (as for equipment attached to buildings, the declining balance method was applied). However, from the current fiscal year, the Company changed the depreciation method to the straight-line method.

This change was made based on a reevaluation of depreciation methods for all assets held by the Group on the occasion of systems investments and large-scale real estate investments by consolidated subsidiaries. As a result, because each asset is expected to be consumed on a stable and average basis throughout the useful life of the asset, the Company determined that the adoption of the straight-line method was appropriate for equally allocating costs over the entire useful life of the asset to properly reflect the actual state of utilization in a manner that corresponds rationally to income.

As a result of this change, consolidated net ordinary income increased ¥34,716 million and net income before income taxes and minority interests increased ¥34,494 million compared with when using the previous method.

2) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets 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.

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.

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.

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above allowances are made 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 into Japanese yen

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:

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

(b) 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 ¥171,491 million.

Changes in Presentation

(Concerning the Consolidated Statements of Income)

Because the amount of Compensation for transfer 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, ¥614 million listed as Other extraordinary gains has been restated as ¥337 million in Compensation for transfer and ¥276 million in Other extraordinary gains.

Notes to Consolidated Balance Sheets

1. Securities include ¥988 million in shares of non-consolidated subsidiaries and affiliates.
2. For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with repurchase agreements or bond lending transactions secured by cash, the balance of the portion of securities where the Company has the right to unrestricted disposal of securities through sales or the reuse (pledge) as collateral was ¥10,481,321 million.
3. Among loans, there were no bankrupt loans, non-accrual delinquent loans, past-due loans (three months or more), and restructured loss amounts.
4. Accumulated depreciation of tangible fixed assets: ¥819,052 million
5. Changes in reserve for policyholders' dividends

Amount at the beginning of the current fiscal year:	¥2,511,441 million
Dividends to policyholders paid in the current fiscal year:	¥430,448 million
Increase in interest:	¥9,008 million
Decrease due to increased annuity purchases:	¥481 million
Provision for reserve for policyholders' dividends:	¥307,427 million
Amount at the end of the current fiscal year:	¥2,396,947 million

6. The policy reserves (except for the contingency reserve) related to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance amount to ¥64,325,970 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, ¥2,514,762 million in contingency reserve and ¥480,865 million in reserve for price fluctuations in security investments are provided.
7. At the end of the current fiscal year, the insurance subsidiary's expected future liabilities for the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act amounted to ¥14,672 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, ¥281,642 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	¥2,039,494 million
Reclassification adjustments	¥(35,257) million
Before tax effect adjustment	¥2,004,236 million
Tax effect	¥(709,063) million
Net unrealized gains (losses) on available-for-sale securities	¥1,295,173 million

Deferred gains (losses) on derivatives under hedge accounting

Amount incurred during the current fiscal year	¥(544,109) million
Reclassification adjustments	¥70,759 million
Asset acquisition cost adjustment	¥(2,456) million
Before tax effect adjustment	¥(475,806) million
Tax effect	¥169,573 million
Deferred gains (losses) on derivatives under hedge accounting	¥(306,233) million
Total other comprehensive income	¥988,940 million

Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

	April 1, 2012	Increase	Decrease	March 31, 2013	Remarks
Outstanding shares					
Common shares	150,000	—	—	150,000	

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

(Resolution)	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors on June 28, 2012	Common shares	37,851	252.34	March 31, 2012	June 28, 2012

Notes to Consolidated Statements of Cash Flows

1. The reconciliation of cash and cash equivalents in the consolidated statements of cash flows to cash and due from banks as stated in the consolidated balance sheets as of March 31, 2013 is as follows.
Cash and due from banks: ¥10,862,494 million
Negotiable certificates of deposit held by the banking subsidiary included in cash and due from banks: ¥(635,000) million
Negotiable certificates of deposit included in securities: ¥142,900 million
Cash and cash equivalents: ¥10,370,394 million
2. Contribution to society and community funds included in "Payments for increase in money held in trust" in cash flows from investing activities amounted to ¥15,140 million.

Financial Instruments

1. Status of Financial Instruments
(1) Approach to Financial Instruments
The Group is required to manage most financial assets and liabilities owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. in order to avoid adverse effects such as damage to the ability to secure more stable profit or loss for the period due to future interest rate risk and foreign exchange risk, since these assets and liabilities are generally subject to changes in value due to fluctuations in interest.

For the purpose, both companies endeavor to properly manage income and risk by means of asset liability management (ALM), under which framework they enter into transactions in derivatives such as interest rate swaps and foreign exchange futures.

Derivative transactions are identified as a key hedging method against interest rate risk and foreign exchange risk to our investment assets, and we use them for hedging purposes only (not for speculative purposes).

(2) Features and Risks of Financial Instruments
In the Group, financial assets owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. consist mainly of securities such as domestic and overseas securities, in particular Japanese government bonds, loans, stock investments through 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 market price 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, fixed-term deposits, and others in interest rate-related transactions. On the other hand, for currency-related transactions, we use currency swap and foreign exchange contracts as a means of hedging foreign exchange risk of values assessable at exchange rate of assets in foreign currency owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. The values of redemptions and interest are converted into yen.

When we hedge risk using derivative transactions, the Group applies hedging accounting for transactions meeting certain prescribed requirements in order to limit impacts on financial accounting.

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

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

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

1) Credit Risk Management
Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify credit risk exposure, respectively in accordance with rules on credit risk management. Moreover, to control credit concentration risk, they provide credit limits for individual companies and corporate groups and supervise these limits during each fiscal year.
2) Market Risk Management
Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify market risk exposure, respectively in accordance with rules on market risk management.
3) Management of Liquidity Risk with Respect to Procurement of Funds
Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. have established indicators for fund procurement and other aspects of operations to manage cash flow risk.

(4) Additional Notes Concerning the Market Value of Financial Instruments
The market value of a financial instrument includes prices based on market quotations as well as rationally calculated prices. In calculating the prices we adopt certain premises and assumptions, and the use of different premises may lead to changes in pricing.

2. Market Values of Financial Instruments and Others
Amounts carried on the consolidated balance sheet, market values and the difference between them as of March 31, 2013 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	10,862,494	10,862,494	—
(2) Call loans	2,041,185	2,041,185	—
(3) Receivables under securities borrowing transactions	10,472,820	10,472,820	—
(4) Monetary claims bought	486,253	486,253	—
(5) Trading account securities: Securities classified as trading purposes			
Trading securities	247	247	—
(6) Money held in trust	3,295,696	3,295,696	—
(7) Securities			
Held-to-maturity securities	142,011,437	148,923,078	6,911,641
Policy reserve-matching bonds	23,508,816	24,927,941	1,419,124
Available-for-sale securities	78,668,961	78,668,961	—
(8) Loans	16,659,553		
Reserve for possible loan losses (* 2)	(270)		
	16,659,282	17,848,864	1,189,581
Total Assets	288,007,196	297,527,543	9,520,347
(1) Deposits	174,857,218	175,616,835	759,617
(2) Payables under securities lending transactions	12,557,798	12,557,798	—
Total Liabilities	187,415,016	188,174,634	759,617
Derivative transactions (* 3)			
For which hedge accounting is not applied	(11)	(11)	—
For which hedge accounting is applied	(680,805)	(680,805)	—
Total derivative transactions	(680,816)	(680,816)	—

(* 1) Accounts immaterial regarding the consolidated balance sheet amount are omitted.
(* 2) Reserve for general loan losses corresponding to loans has been deducted.
(* 3) 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, etc., 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.
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 from future cash flow.
For loans which amounts are limited to the values of corresponding collateral and which have no fixed date of repayments, market value is close to book value, because 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 from 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 currency-related transactions (exchange contracts and currency swaps). Then market value is based on over-the-counter prices or value obtained from the net present value.

Note 2: The consolidated balance sheet amounts of 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 consolidated balance sheet
Unlisted equities* (Note)	141,126
Total	141,126

Note: Since unlisted equities 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	9,707,629	—	—	—	—	—
Call loans	2,041,185	—	—	—	—	—
Receivables under securities borrowing transactions	10,472,820	—	—	—	—	—
Monetary claims bought	407,409	986	3,126	11,800	10,000	50,613
Securities						
Held-to-maturity securities	20,665,599	40,429,276	26,040,605	14,807,335	19,089,088	20,446,710
Policy reserve-matching bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Available-for-sale securities with maturities	17,117,598	16,347,852	10,494,850	9,308,812	14,804,984	3,965,318
Loans	3,897,949	2,926,846	2,385,981	2,061,296	2,373,742	3,008,457
Total	68,239,077	63,845,776	45,643,811	27,929,716	38,476,982	32,097,099

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)	78,527,380	5,397,643	26,816,040	22,363,442	41,752,711	—
Payables under securities lending transactions	12,557,798	—	—	—	—	—
Total	91,085,179	5,397,643	26,816,040	22,363,442	41,752,711	—

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, etc., under "Monetary claims bought" in addition to "Securities" in the consolidated balance sheets.

1. Trading account securities (As of March 31, 2013)
No net unrealized gains (losses) are charged to period income or expenses from trading account securities.

2. Held-to-maturity securities (As of March 31, 2013)

(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	122,967,971	129,001,785	6,033,813
	Japanese local government bonds	8,846,109	9,335,878	489,768
	Japanese corporate bonds	8,190,481	8,565,445	374,964
	Others	352,090	402,984	50,894
	Subtotal	140,356,652	147,306,094	6,949,441
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	1,568,406	1,568,344	(62)
	Japanese local government bonds	7,300	7,299	(0)
	Japanese corporate bonds	79,078	79,050	(27)
	Others	—	—	—
	Subtotal	1,654,784	1,654,693	(90)
Total		142,011,437	148,960,788	6,949,350

3. Bonds earmarked for policy reserves (As of March 31, 2013)

(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	21,889,807	23,269,193	1,379,385
	Japanese local government bonds	1,217,564	1,249,443	31,878
	Japanese corporate bonds	401,444	409,304	7,860
	Others	—	—	—
	Subtotal	23,508,816	24,927,941	1,419,124
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	—	—	—
Total		23,508,816	24,927,941	1,419,124

4. Available-for-sale securities (As of March 31, 2013)

(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	6,352	5,727	625
	Bonds	55,083,101	53,369,160	1,713,940
	Japanese government bonds	42,100,473	40,817,157	1,283,316
	Japanese local government bonds	4,381,423	4,232,890	148,533
	Short-term corporate bonds	—	—	—
	Japanese corporate bonds	8,601,203	8,319,113	282,090
	Others	15,075,722	13,594,235	1,481,486
	Subtotal	70,165,176	66,969,123	3,196,052
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Shares	12,380	13,250	(869)
	Bonds	7,276,240	7,302,357	(26,116)
	Japanese government bonds	6,159,424	6,159,931	(507)
	Japanese local government bonds	52,198	52,237	(38)
	Short-term corporate bonds	548,975	548,975	—
	Japanese corporate bonds	515,642	541,212	(25,569)
	Others	2,702,517	2,726,225	(23,707)
	Subtotal	9,991,138	10,041,833	(50,694)
Total		80,156,315	77,010,956	3,145,358

5. Held-to-maturity securities sold during the fiscal year
(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Cost of sales	Sales proceeds	Realized gains
Japanese government bonds	972,574	973,195	621
Total	972,574	973,195	621

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, 2012 to March 31, 2013)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Japanese government bonds	1,670,332	50,287	—
Japanese local government bonds	261,591	6,809	—
Japanese corporate bonds	128,559	3,223	—
Total	2,060,482	60,319	—

7. Available-for-sale securities sold during the fiscal year
(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Bonds	1,534,346	15,427	19,743
Japanese government bonds	1,398,345	14,318	—
Japanese corporate bonds	136,000	1,109	19,743
Others	657,111	32,000	3,159
Total	2,191,458	47,428	22,902

Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2013)
   None

2. Money held in trust classified as held-to-maturity (As of March 31, 2013)
   None

3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2013)

(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	3,295,696	2,754,703	540,992	558,965	(17,973)

Note: "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 subitems of "Differences," 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)

2013 (As of March 31, 2013)	
Retirement benefit obligation	(3,113,196)
Pension assets	10,671
Unfunded retirement benefit obligation	(3,102,525)
Unrecognized actuarial differences	(154,883)
Unrecognized prior service cost	(1,792)
Net amount on the consolidated balance sheet	(3,259,201)
Reserve for employees' retirement benefits	(3,259,201)

3. Information about retirement benefit expenses

(Millions of yen)

2013 (From April 1, 2012 to March 31, 2013)	
Service cost	115,541
Interest cost	54,561
Expected return on pension assets	(205)
Amortization of prior service cost	(492)
Amortization of actuarial differences	(12,497)
Others	(25)
Retirement benefit expenses	156,881

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

4. Basis for calculation of retirement benefit obligation

2013 (As of March 31, 2013)	
Discount rate:	0.6–1.7%
Expected rate of return on pension assets:	2.0%
Recognition method of projected retirement benefit:	Straight-line method over the determined period
Amortization period of prior service cost:	8–14 years
Amortization period of actuarial differences:	5–14 years

Business Combinations

Merger between Japan Post Co., Ltd. and Japan Post Service Co., Ltd.

As the "Act for Partial Revision of the Postal Service Privatization Act and others" (Act No. 30 of 2012) was enforced on October 1, 2012, the Postal Service Privatization Act (Act No. 97 of 2005) was revised. Accordingly, on the same date, Japan Post Network Co., Ltd., which is a consolidated subsidiary, changed its corporate name to Japan Post Co., Ltd. as prescribed by Article 6-2-1 of the same Act. It took over operations from Japan Post Service Co., Ltd. and both companies merged as prescribed by Article 6-2-2 of the same Act.

1. Summary of merger

(1) Name and business of merged companies

1) Surviving company
Name: Japan Post Co., Ltd.
Description of business:
Postal counter operations for regular mail, parcels and other items; sales of documentary 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, etc.

2) Absorbed company
Name: Japan Post Service Co., Ltd.
Description of business:
Postal service business, domestic distribution and delivery business, international cargo transport and agency services for air cargo business, logistics business, etc.

(2) Date of the business combination
October 1, 2012

(3) Details of legal form
Absorption-type merger with Japan Post Co., Ltd. as the surviving company
Because Japan Post Co., Ltd. and Japan Post Service Co., Ltd. are both wholly owned subsidiaries of the Company, there is no agreement on a merger ratio. Also, there were no issuances of new shares or increase in capital due to the merger and no payments of any merger grants.

(4) Name of company after the business combination
Japan Post Co., Ltd.

2. Summary of accounting implemented
   The merger was treated as a combination of businesses under common control as prescribed by "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

Risk-Monitored Loans

(Millions of yen)

	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Bankrupt loans	—	—
Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	—	—

Per Share Information

(yen)

2013 (From April 1, 2012 to March 31, 2013)	
Net assets per share	82,978.51
Net income per share	3,751.69

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

Subsequent Events

None

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 14 companies (hereafter the "Group") for the purpose of the calculation of the consolidated capital ratio: Japan Post 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., Japan Post Network Trading Service Co., Ltd., Japan Post Building Management Co., Ltd., JP Logi Service Co., Ltd., JP Biz Mail Co., Ltd., JP Media Direct Co., Ltd., Japan Post 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 15 companies, comprising 14 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

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

(2) Number of consolidated subsidiaries and principal subsidiaries

For the purpose of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, the Group comprises the Company and the 14 companies noted above.

Principal subsidiaries are: Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. See pages 26 through 60 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. and Nittei Butsuryu Gijutsu 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, 2013 calculated in accordance with the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice was 57.38% (consolidated Tier I capital ratio was 63.61%). 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. Japan Post Group Risk and Crisis Management" on pages 84 through 85 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

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

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

To control credit concentration risk, Japan Post Bank provides credit limits for individual companies and corporate groups and supervises these limits during each fiscal year.

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 Department, 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 Department 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.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Local public corporations and other financial institutions		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operations	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

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

When calculating the capital adequacy ratio, Japan Post Bank applies "credit risk mitigation methods" prescribed in the Capital Adequacy Ratio Notice. These methods are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These methods 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 application of the qualified financial collateral.

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 2013, 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 central 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 methods.

■ 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 methods through legally binding mutual netting contracts.

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

The principal credit risk mitigation methods 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 on collateral security and reserve calculation, 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, 2013 was ¥771,246 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 re-securitization 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.)

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 re-securitization exposure are the same as for securitization exposure.

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

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

(4) Name of 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) Name of 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.

Japan Post Bank identifies, assesses, controls, monitors and mitigates risk for each risk category to manage operational risk and to maintain the soundness of operations.

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 interest rate fluctuations and the risk of a decline in earnings or loss resulting from interest rate fluctuations 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 adopts the historical simulation method for the internal model used to measure the volume of market risk (VaR). The Bank adopts 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 chooses 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		2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
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	1,705,040	2,216,622
	Treasury stock (deduction)	—	—
	Deposit for subscription to treasury stock	—	—
	Amount scheduled for disbursement (deduction)	(37,851)	(38,550)
	Net unrealized losses on available-for-sale securities (deduction)	—	—
	Foreign currency translation adjustments	—	—
	Stock acquisition rights	—	—
	Minority interests in consolidated subsidiaries	1,345	1,421
	Preferred securities issued by foreign Special Purpose Companies (SPCs)	—	—
	Trade rights equivalents (deduction)	—	—
	Goodwill equivalents (deduction)	(8)	(7)
	Intangible fixed assets equivalents recognized as a result of merger (deduction)	—	—
	Amount equivalent to increase in shareholders' equity resulting from securitization transactions (deduction)	—	—
	Total (A)	9,672,382	10,183,342
	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	4,096	2,748
	Capital raised through debt financing	—	—
	Total (B)	4,096	2,748
Sub-supplementary capital (Tier III)	Short-term subordinated debt	—	—
	Total (C)	—	—
Deduction item	Deduction items (D) (Note 4)	1,000,148	1,000,109
Qualifying capital	Qualifying capital (A)+(B)+(C)–(D)=(E)	8,676,330	9,185,982
Risk-adjusted assets	Assets (on-balance-sheet items)	11,076,463	11,966,917
	Off-balance-sheet transactions, etc.	295,616	436,338
	Amount of market risk equivalent, divided by 8%	—	—
	Amount of operational risk equivalent, divided by 8%	3,663,396	3,605,681
	Total (F)	15,035,475	16,008,937
Consolidated capital adequacy ratio (domestic standard) (E)/(F)		57.70%	57.38%
Consolidated Tier I capital ratio (A)/(F)		64.33%	63.61%

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. 56 of 2012).
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		2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
1	Cash		—	—
2	Japanese government and the Bank of Japan		—	—
3	Foreign central governments and central banks		8,108	14,349
4	Bank for International Settlements, etc.		—	—
5	Japanese local governments and their agencies		—	—
6	Foreign public-sector entities other than central governments		4,416	6,202
7	International development banks		—	7
8	Japan Finance Organization for Municipalities		2,190	2,291
9	Japanese government agencies		17,960	16,283
10	Three regional public corporations under Japanese local governments		0	0
11	Financial institutions and type I financial instruments business operators		57,933	76,003
12	Corporates		158,534	185,405
13	Small and medium-sized enterprises and individuals		6	4
14	Residential housing mortgages		—	—
15	Project finance (acquisition of real estate)		2,902	4,026
16	Past-due loans (three months or more)		139	3,754
17	Outstanding drafts		—	—
18	Loans guaranteed by Credit Guarantee Corporation, etc.		—	—
19	Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.		—	—
20	Investments in capital and others		75,882	55,692
21	Other than above		113,486	112,075
22	Securitization transactions (as originator)		—	—
		Re-securitization transactions	—	—
23	Securitization transactions (as investor and other)		1,496	2,579
		Re-securitization transactions	90	80
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically		—	—
	Total		443,058	478,676

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				2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
1	Commitment lines that can be cancelled automatically or unconditionally at any time				—	—
2	Commitment lines with original contracts of one year or less				40	8
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				5,910	6,235
	(of which secured with loan guarantees)				2,840	3,660
	(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)				2,710	1,515
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				3,648	8,616
11	Derivative transactions and long-term settlements transactions				2,170	2,537
		Current exposure method			2,170	2,537
			Derivative transactions		2,170	2,537
				Foreign exchange-related transactions	1,594	2,002
				Interest rate-related transactions	569	487
				Gold-related transactions	—	—
				Equity security-related transactions	—	—
				Precious metal-related transactions (excluding gold)	—	—
				Other commodity-related transactions	—	—
				Credit derivative transactions (counterparty risk)	6	48
				Write-off of credit equivalent amount under close-out netting agreement (deduction)	—	—
			Long-term settlements transactions		—	—
12	Outstanding transaction				—	1
13	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance				—	—
14	Off-balance-sheet securitization exposure other than the above				—	—
	Total				11,824	17,453

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	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Basic indicator approach	146,535	144,227
Total	146,535	144,227

Note: Capital requirement for operational risk: (Amount of operational risk equivalent ÷ 8%) × 4%

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

(Millions of yen)

Item	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Consolidated capital adequacy ratio	57.70%	57.38%
Consolidated Tier I capital ratio	64.33%	63.61%
Total amount of consolidated required capital	601,419	640,357
Credit risk-adjusted assets × 4%	454,883	496,130
Assets (on-balance-sheet items) × 4%	443,058	478,676
Off-balance-sheet transactions, etc. × 4%	11,824	17,453
Amount of operational risk equivalent ÷ 8% × 4%	146,535	144,227

4. Credit risk

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

(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	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

(Millions of yen)

Counterparts		2013 (As of March 31, 2013)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	14,990,079	146,951,105	—	33,822	161,975,007
	Financial institutions	52,731,740	9,538,663	215,900	41,768	62,528,072
	Corporates	563,066	6,162,323	—	285,398	7,010,788
	Small and medium-sized enterprises and individuals	—	—	—	280	280
	Project finance (acquisition of real estate)	—	—	—	100,655	100,655
	Others	4,902,504	2,257,355	47	7,133,669	14,293,576
	Domestic total	73,187,389	164,909,448	215,947	7,595,594	245,908,380
Overseas total		—	—	—	—	—
Total		73,187,389	164,909,448	215,947	7,595,594	245,908,380

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, etc.
Note 9: "Others" (exposure) under "Others" (counterparts) includes tangible fixed assets and intangible fixed assets amounting to ¥2,773.6 billion as of March 31, 2013 (¥2,804.8 billion as of March 31, 2012).
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	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

(Millions of yen)

Remaining period	2013 (As of March 31, 2013)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	54,572,830	35,160,610	17,957	333,350	90,084,750
Over 1 year to 3 years	635,720	48,946,748	83,599	4,505	49,670,574
Over 3 years to 5 years	1,251,031	28,913,598	44,858	1,014	30,210,503
Over 5 years to 7 years	980,373	19,490,548	45,434	36	20,516,392
Over 7 years to 10 years	550,966	28,915,600	23,975	—	29,490,542
Over 10 years	2,154,438	3,482,342	121	—	5,636,902
No due date or perpetual	13,042,028	—	—	7,256,686	20,298,715
Total	73,187,389	164,909,448	215,947	7,595,594	245,908,380

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" (exposure) under "No due date or perpetual" (remaining period) includes tangible fixed assets and intangible fixed assets amounting to ¥2,773.6 billion as of March 31, 2013 (¥2,804.8 billion as of March 31, 2012).
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		2012 (As of March 31, 2012)					2013 (As of March 31, 2013)				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	—	—	—	—	—	—	—	—	—	—
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	6	6	—	—	—	7	7
	Small and medium-sized enterprises and individuals	—	—	—	109	109	—	—	—	117	117
	Project finance (acquisition of real estate)	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	6,347	6,347	—	—	—	4,319	4,319
	Domestic total	—	—	—	6,464	6,464	—	—	—	4,443	4,443
Overseas total		—	—	—	—	—	—	—	—	—	—
Total		—	—	—	6,464	6,464	—	—	—	4,443	4,443

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, etc.
Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).
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)

	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
General reserve for possible loan losses	214	208
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period (Millions of yen)

	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
General reserve for possible loan losses	(15)	(6)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Note 1: Reserve for possible loan losses represents a reserve for loans only.
Note 2: General reserve for possible loan losses is not classified by region, industry and customer.

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

(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	2012 (As of March 31, 2012)		2013 (As of March 31, 2013)	
	Rated	Not rated	Rated	Not rated
0%	167,827,005	53,368,096	168,358,348	48,812,330
10%	—	5,267,899	—	4,892,870
20%	10,595,302	41	12,406,878	42
35%	—	—	—	—
50%	2,989,725	6,231	4,202,213	4,170
75%	—	222	—	162
100%	2,002,435	5,189,580	2,741,192	4,421,933
150%	11	233	67,962	273
Other	—	—	3	—
Capital deductions	—	—	—	—
Total	183,414,480	63,832,305	187,776,597	58,131,782

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 methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2012 (As of March 31, 2012)		2013 (As of March 31, 2013)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Qualified financial collateral	48,946,930	87.02%	47,346,924	87.59%
Guarantees	7,300,758	12.97%	6,703,773	12.40%
Total	56,247,688	100.00%	54,050,698	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	2012 (As of March 31, 2012)			2013 (As of March 31, 2013)		
	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	1,720	45,278	46,999	842	42,726	43,568
Currency-related transactions						
Currency swaps	6,690	76,614	83,305	2,472	134,228	136,700
Forward foreign exchange contracts	28,713	32,047	60,760	4,399	31,278	35,677
Long-term settlements transactions	—	—	—	—	—	—
Total	37,124	153,941	191,066	7,714	208,233	215,947

Note 1: Net credit equivalents are calculated by the "current exposure method."
Note 2: There were no risks mitigated by collateral.
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, only those derivative transactions and long-term settlement transactions requiring computation of net credit equivalents are recorded.
Note 5: 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	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Mortgage loans	106,316	258,922
Auto loans	6,479	2,645
Leases	7,272	771
Accounts receivable	5,954	1,080
Corporate loans	95,001	94,889
Others	4,408	2,944
Total	225,433	361,254

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

(Millions of yen)

Type of underlying assets	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Mortgage loans	5,651	5,059
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	5,651	5,059

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

(Millions of yen)

Risk weight	2012 (As of March 31, 2012)		2013 (As of March 31, 2013)	
	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	99,409	397	97,834	391
20%	126,023	1,008	263,419	2,107
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
Capital deductions	—	—	—	—
Total	225,433	1,405	361,254	2,498

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

(Millions of yen)

Risk weight	2012 (As of March 31, 2012)		2013 (As of March 31, 2013)	
	Balance	Capital requirements	Balance	Capital requirements
Less than 40%	—	—	—	—
40%	5,651	90	5,059	80
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
Capital deductions	—	—	—	—
Total	5,651	90	5,059	80

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

Note 2: There were no credit risk mitigation methods applied to re-securitization exposures.

Note 3: Capital requirements are the amount of credit risk assets × 4%.

Note 4: There were no credit risk assets falling under Article 15 of Supplementary Provisions of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Note 5: 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)

	2012 (As of March 31, 2012)		2013 (As of March 31, 2013)	
	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	221,376		231,551	
Total	221,376		231,551	

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)

	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
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)

	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	813	928

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)

	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
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)

	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Losses in economic value	964.6	793.2

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, Japan Post Bank and Japan Post Insurance (hereafter referred to as three 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 three 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 Group standard amount at ¥18 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. 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.

Regarding the amount of lump-sum retirement benefits, an amount derived by subtracting an amount from the lump-sum retirement benefit based on number of years of service and adding this back to a lump-sum retirement benefit amount temporarily excluded from compensation shall be regarded as a person's compensation and used to determine whether a person is receiving a high amount of compensation.

(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

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

Japan Post Bank and Japan Post Insurance have respectively established a 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 each 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 2012 to March 2013)
Japan Post Holdings	Compensation Committee	5 times
Japan Post	Shareholders' meeting	3 times (Note 2)
	Board of Directors (Note 1)	8 times (Note 2)
	Board of Corporate Auditors (Note 1)	1 time
Japan Post Bank	Compensation Committee	4 times
Japan Post Insurance	Compensation Committee	4 times

Note 1: The total amount (upper limit) of compensation for executives of Japan Post Co., Ltd. was determined at the Shareholders' meeting of the former Japan Post Network on September 3, 2012.

Note 2: The number of times convened for Japan Post Co., Ltd. includes the number of times convened for the former Japan Post Service Co., Ltd.

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 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, 2012 to March 31, 2013)

Classification	Number of persons	Total amount of compensation (Millions of yen)			
			Base compensation	Retirement benefits	Other
Subject executives (excluding outside executives)	26	625	550	74	0
Subject employees	28	644	565	78	0

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries. Compensation for subject executives includes compensation during their period of tenure at the former Japan Post Service Co., Ltd.
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)

Item		2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Total amount of consolidated solvency margin	(A)	14,969,116	17,348,099
Capital stock or funds, others		9,970,701	10,493,901
Reserve for price fluctuations		458,215	522,872
Contingency reserve		2,783,755	2,683,606
Catastrophe loss reserve		—	—
General reserves for possible loan losses		4,160	2,831
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)		1,403,728	3,317,715
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		88,125	18,995
Capital raised through debt financing, Excess (portion of) premium reserve		260,430	308,176
Excess (portion of) premium reserve		260,430	308,176
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	1,922,408
Underwriting risk	R_1	177,029	172,955
General insurance risk	R_5	—	—
Catastrophe risk	R_6	—	—
Underwriting risk of third-sector insurance	R_8	127,502	113,161
Underwriting risk of small-amount, short-term insurers	R_9	—	—
Anticipated yield risk	R_2	237,506	218,570
Minimum guarantee risk	R_7	—	—
Investment risk	R_3	1,300,815	1,372,165
Business management risk	R_4	311,733	306,146
Consolidated solvency margin ratio (A)/{(1/2) x (B)}		1,592.5%	1,804.8%

Note: The consolidated solvency margin ratio is calculated 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, 2013 and 2012 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	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	76,591	179,049
Accounts receivable	239,609	164,507
Securities	21,500	4,800
Inventories	732	618
Short-term loan	250	300
Prepaid expenses	81	64
Others	574	535
Allowance for doubtful accounts	(9)	(9)
Total current assets	339,330	349,865
Non-current assets		
Tangible fixed assets		
Buildings: net	38,102	38,033
Structures: net	679	690
Machinery: net	569	627
Vehicles: net	117	117
Tools and fixtures: net	19,221	16,635
Land	92,864	92,381
Construction in progress	718	955
Total tangible fixed assets	152,274	149,441
Intangible fixed assets		
Software	11,384	5,641
Others	1,698	338
Total intangible fixed assets	13,083	5,980
Investments and other assets		
Stock of related parties	9,195,059	9,195,299
Long-term loan	—	10,420
Long-term prepaid expenses	70	57
Claims in bankruptcy	112	116
Others	94	106
Allowance for doubtful accounts	(112)	(116)
Total investments and other assets	9,195,223	9,205,883
Total non-current assets	9,360,580	9,361,305
Contribution to society and community funds assets		
Money held in trust	47,275	—
Total contribution to society and community funds assets	47,275	—
Total Assets	**9,747,186**	**9,711,170**

Item	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Liabilities		
Current liabilities		
Accounts payable	13,460	18,933
Income taxes payable	202,407	159,151
Consumption taxes payable	—	82
Accrued expenses	3,255	3,231
Reserve for employees' bonuses	1,611	1,754
Reserve for loss on natural disaster	333	319
Reserve for point service program	495	452
Others	945	927
Total current liabilities	222,509	184,854
Long-term liabilities		
Reserve for employees' retirement benefits	977,772	897,775
Reserve for directors' retirement benefits	128	149
Reserve for compensation for accidents in the course of duty	24,412	23,466
Deferred tax liabilities	23,482	—
Others	2,334	2,080
Total long-term liabilities	1,028,130	923,471
Total Liabilities	**1,250,639**	**1,108,326**
Net Assets		
Shareholders' equity		
Capital stock	3,500,000	3,500,000
Capital surplus		
Capital reserve	4,503,856	4,503,856
Total capital surplus	4,503,856	4,503,856
Retained earnings		
Other retained earnings		
Retained earnings brought forward	431,406	598,987
Total retained earnings	431,406	598,987
Total shareholders' equity	8,435,262	8,602,843
Contribution to society and community funds	60,204	—
Valuation and translation adjustments of contribution to society and community funds	1,080	—
Total Net Assets	**8,496,547**	**8,602,843**
Total Liabilities and Net Assets	**9,747,186**	**9,711,170**

Statements of Income

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Operating income		
Commissions from subsidiaries and affiliates	11,549	10,317
Dividend income from affiliated companies	106,067	105,353
Income from consigned businesses	69,512	65,092
Subsidies related to former savings accounts	43,593	27,009
Income from medical services	25,179	25,252
Income from accommodation services	31,731	32,278
Total operating income	**287,633**	**265,304**
Operating expenses		
Expenses for consigned businesses	64,006	57,258
Expenses for medical services	30,120	30,098
Expenses for accommodation services	34,725	33,693
Administrative expenses	25,517	23,047
Total operating expenses	**154,369**	**144,096**
Net operating income	**133,264**	**121,207**
Other income		
Rent income	2,755	2,733
Others	803	665
Total other income	**3,558**	**3,398**
Other expenses		
Interest expenses	15	11
Rent expenses	1,295	1,044
Others	270	411
Total other expenses	**1,582**	**1,466**
Income (expenses) from contribution to society and community funds assets		
Income from contribution to society and community funds assets	533	2,527
Expenses for contribution to society and community funds assets	0	0
Total income from contribution to society and community fund assets	**533**	**2,527**
Net ordinary income	**135,773**	**125,666**
Extraordinary gains		
Compensation income	—	622
Others	—	48
Total extraordinary gains	**—**	**670**
Extraordinary losses		
Losses on disposal of fixed assets	83	267
Impairment losses	2,404	2,599
Group reorganization expenses	—	1,028
Provision for reserve for point service program	495	—
Others	—	106
Total extraordinary losses	**2,984**	**4,002**
Net income before income taxes	**132,789**	**122,335**
Income taxes current	(23,162)	(9)
Income taxes deferred	4,547	(22,883)
Total income taxes	**(18,614)**	**(22,893)**
Net income	**151,404**	**145,228**

Statements of Changes in Net Assets

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
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	333,546	431,406
Changes during the period		
Cash dividends	(38,404)	(37,851)
Net income for the period	151,404	145,228
Contribution to society and community funds	(15,140)	60,204
Total changes during the period	97,859	167,581
Balance at the end of the current fiscal year	431,406	598,987
Total shareholders' equity		
Balance at the beginning of the current fiscal year	8,337,402	8,435,262
Changes during the period		
Cash dividends	(38,404)	(37,851)
Net income for the period	151,404	145,228
Contribution to society and community funds	(15,140)	60,204
Total changes during the period	97,859	167,581
Balance at the end of the current fiscal year	8,435,262	8,602,843
Contribution to society and community funds		
Balance at the beginning of the current fiscal year	45,063	60,204
Changes during the period		
Net changes other than shareholders' equity	15,140	(60,204)
Total changes during the period	15,140	(60,204)
Balance at the end of the current fiscal year	60,204	—

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Valuation and translation adjustments of contribution to society and community funds		
Balance at the beginning of the current fiscal year	337	1,080
Changes during the period		
Net changes other than shareholders' equity	743	(1,080)
Total changes during the period	743	(1,080)
Balance at the end of the current fiscal year	1,080	—
Total net assets		
Balance at the beginning of the current fiscal year	8,382,804	8,496,547
Changes during the period		
Cash dividends	(38,404)	(37,851)
Net income for the period	151,404	145,228
Contribution to society and community funds	(15,140)	60,204
Net changes other than shareholders' equity	15,883	(61,284)
Total changes during the period	113,743	106,296
Balance at the end of the current fiscal year	8,496,547	8,602,843

Notes to Financial Statements

Significant Accounting Policies

1. Valuation criteria and methods for securities

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. 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 straight-line method.

Useful lives for main depreciable items are as follows:

Buildings: 2-50 years

Others: 2-60 years

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Depreciation of tangible fixed assets was previously computed by the declining balance method except for buildings (as for equipment attached to buildings, the declining balance method was applied). However, from the current fiscal year, Japan Post Holdings changed the depreciation method to the straight-line method.

Since the Company's each asset is expected to be consumed on a stable and average basis throughout the useful ife of the asset, the Company determined that the adoption of the straight-line method was appropriate for equally allocating costs over the entire useful life of the asset to properly reflect the actual state of utilization in a manner that corresponds rationally to income.

This change had no material impact on profits or losses for the fiscal year.

(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 an actual rate of losses, 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.

(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.

(Additional Information)

As prescribed in Ordinance for Enforcement of Japan Post Holdings Law (Ministry of Internal Affairs and Communications Ordinance No. 3, January 20, 2006) Supplementary Provisions (Ministry of Internal Affairs and Communications Ordinance No. 78, July 30, 2012), Article 3, the entire amount of Contribution to society and community funds listed within Net assets was on October 1, 2012 and the drawn down amount of ¥60,204 million was transferred to Retained earnings brought forward.

Notes to Balance Sheets

1. Assets pledged as collateral:
   Investment and other assets ¥45 million
   Other assets (government bonds) are deposited in the Legal Affairs Bureau as business security deposits under Building Lots and Buildings Transaction Business Law.
2. Accumulated depreciation of tangible fixed assets: ¥66,471 million
3. Assets in affiliated companies
   Accounts receivable ¥160,094 million

Notes to Statements of Income

1. The following shows operating transactions and other transactions with affiliates.
   Operating income
   Income from consigned businesses ¥64,958 million
   Other income
   Rent income ¥2,678 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)

2013 (As of March 31, 2013)	
Retirement benefit obligation	(32,499)
Unfunded retirement benefit obligation	(32,499)
Unrecognized actuarial differences	(2,302)
Reserve for employees' retirement benefits	(34,802)

(3) Information about retirement benefit expenses

(Millions of yen)

2013 (From April 1, 2012 to March 31, 2013)	
Service cost	1,780
Interest cost	532
Amortized actuarial differences	(239)
Retirement benefit expenses	2,074

(4) Assumptions for the calculation of retirement benefit obligation

2013 (As of March 31, 2013)	
Recognition of projected retirement benefit obligation:	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)

2013 (As of March 31, 2013)	
Retirement benefit obligation related to share of public service pension	(813,768)
Unrecognized actuarial differences	(47,427)
Reserve for employees' retirement benefits related to share of public service pension	(861,195)

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

(Millions of yen)

2013 (From April 1, 2012 to March 31, 2013)	
Interest cost	15,287
Amortized actuarial differences	(5,151)
Retirement benefit expenses related to share of public service pension	10,135

(3) Assumptions for the calculation of public service pension

2013 (As of March 31, 2013)	
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)

2013 (As of March 31, 2013)	
Retirement benefit obligation related to share of another public service pension	(1,827)
Unrecognized actuarial differences	49
Reserve for employees' retirement benefits related to share of another public service pension	(1,777)

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

(Millions of yen)

2013 (From April 1, 2012 to March 31, 2013)	
Interest cost	23
Amortized actuarial differences	(22)
Retirement benefit expenses related to share of another public service pension	0

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

2013 (As of March 31, 2013)	
Discount rate:	1.1%
Recognition period of actuarial differences:	5 years

Subsequent Events

None

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

The balance sheets as of March 31, 2013 and 2012 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.)
As prescribed by the "Act for Partial Revision of the Postal Service Privatization Act and others," on October 1, 2012, Japan Post Network Co., Ltd. merged with Japan Post Service Co., Ltd. and Japan Post Co., Ltd. inaugurated operations. Under the provisions of "Act for Partial Revision of the Postal Service Privatization Act and others," because the original Japan Post Network is the surviving company, the settlement figures for Japan Post Network are listed for the fiscal year ended March 2012. For the fiscal year ended March 2013, the settlement figures for the original Japan Post Service from October 2012 onward are added to the settlement figures of the original Japan Post Network.
For details on figures in each business segment for the original companies refer to Reference on page 157.

Balance Sheets

(Millions of yen)

Item	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	1,867,626	1,991,839
Accounts receivable—trade	108,426	213,771
Securities	—	131,000
Inventories	2,028	10,606
Prepaid expenses	614	2,159
Accounts receivable	4,563	3,866
Banking business consignment receivable	—	32,468
Insurance business consignment receivable	8,807	—
Others	22,197	25,437
Allowance for doubtful accounts	(19)	(1,435)
Total current assets	2,014,243	2,409,713
Non-current assets		
Tangible fixed assets		
Buildings: net	315,590	921,559
Structures: net	12,830	25,060
Machinery: net	164	19,827
Automobiles and other vehicles: net	887	8,756
Tools and fixtures: net	17,492	31,527
Land	610,399	1,244,380
Construction in progress	99,027	14,507
Total tangible fixed assets	1,056,392	2,265,618
Intangible fixed assets		
Leaseholds	1,654	1,659
Air rights	14,077	14,077
Software	8,449	31,095
Others	1,564	19,926
Total intangible fixed assets	25,747	66,758
Investments and other assets		
Investment securities	14,634	14,695
Stock of related parties	500	38,957
Claims in bankruptcy	1,773	2,906
Long-term prepaid expenses	6,966	7,622
Others	1,894	3,142
Allowance for doubtful accounts	(1,173)	(2,906)
Total investments and other assets	24,595	64,417
Total non-current assets	1,106,735	2,396,795
Total Assets	**3,120,978**	**4,806,509**

Item	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Liabilities		
Current liabilities		
Accounts payable—trade	5,864	40,511
Accounts payable—other	105,085	251,233
Postal service business consignment payable	13,603	—
Banking business consignment payable	27,936	—
Insurance business consignment payable	—	10,312
Accrued expenses	19,611	30,086
Income taxes payable	5,868	3,951
Consumption taxes payable	9,078	24,722
Advance postal fees received	—	40,270
Deposits received	4,789	312,666
Fund deposits for post offices	1,400,000	1,280,000
Reserve for employees' bonuses	39,270	84,424
Reserve for loss on rebuilding of branches	739	431
Others	1,254	3,798
Total current liabilities	1,633,101	2,082,410
Long-term liabilities		
Reserve for employees' retirement benefits	1,172,398	2,157,310
Reserve for directors' retirement benefits	156	265
Reserve for loss on rebuilding of branches	2,533	198
Negative goodwill	99	—
Deferred tax liabilities	69	100
Others	11,919	23,148
Total long-term liabilities	1,187,177	2,181,022
Total Liabilities	**2,820,278**	**4,263,433**
Net Assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus		
Capital reserve	100,000	100,000
Other capital surplus	—	200,000
Total capital surplus	100,000	300,000
Retained earnings		
Other retained earnings		
Reserve for special depreciation	29	41
Reserve for deferred gains on fixed assets	95	138
Retained earnings brought forward	100,575	142,896
Total retained earnings	100,700	143,076
Total shareholders' equity	300,700	543,076
Total Net Assets	**300,700**	**543,076**
Total Liabilities and Net Assets	**3,120,978**	**4,806,509**

Statements of Income

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Operating income		
Postal service business income	—	960,317
Commissions for postal service business consignment	183,270	81,574
Commissions for banking business consignment	619,085	609,578
Commissions for insurance business consignment	384,218	378,507
Other operating income	21,872	24,145
Total operating income	**1,208,447**	**2,054,124**
Operating expenses	1,061,957	1,810,056
Gross operating income	**146,489**	**244,068**
Sales, general and administrative costs	113,072	152,848
Net operating income	**33,417**	**91,219**
Other income		
Rent income	23,517	17,384
Others	4,267	4,753
Total other income	**27,785**	**22,138**
Other expenses		
Rent expenses	15,714	10,858
Others	2,743	2,200
Total other expenses	**18,458**	**13,058**
Net ordinary income	**42,745**	**100,299**
Extraordinary gains		
Gain on sales of fixed assets	261	166
Compensation for transfer	337	436
Others	9	0
Total extraordinary gains	**609**	**603**
Extraordinary losses		
Losses on sales of fixed assets	1	4
Losses on disposal of fixed assets	601	1,151
Impairment losses	1,967	1,018
Provisions for losses on rebuilding of branches	652	—
Merger expenses	—	1,668
Others	24	93
Total extraordinary losses	**3,247**	**3,936**
Net income before income taxes	**40,106**	**96,966**
Income taxes current	21,210	13,923
Income taxes deferred	69	30
Total income taxes	**21,280**	**13,953**
Net income	**18,826**	**83,012**

Statements of Changes in Net Assets

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
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
Other capital surplus		
Balance at the beginning of the current fiscal year	—	—
Changes during the period		
Increase by merger	—	200,000
Total changes during the period	—	200,000
Balance at the end of the current fiscal year	—	200,000
Total capital surplus		
Balance at the beginning of the current fiscal year	100,000	100,000
Changes during the period		
Increase by merger	—	200,000
Total changes during the period	—	200,000
Balance at the end of the current fiscal year	100,000	300,000
Retained earnings		
Other retained earnings		
Reserve for special depreciation		
Balance at the beginning of the current fiscal year	—	29
Changes during the period		
Reversal of reserve for special depreciation	—	(4)
Provision of reserve for special depreciation	29	16
Total changes during the period	29	11
Balance at the end of the current fiscal year	29	41
Reserve for deferred gains on fixed assets		
Balance at the beginning of the current fiscal year	—	95
Changes during the period		
Provision of reserve for deferred gains on fixed assets	95	42
Total changes during the period	95	42
Balance at the end of the current fiscal year	95	138
Retained earnings brought forward		
Balance at the beginning of the current fiscal year	89,538	100,575
Changes during the period		
Cash dividends	(7,665)	(4,706)
Reversal of reserve for special depreciation	—	4
Provision of reserve for special depreciation	(29)	(16)
Provision of reserve for deferred gains on fixed assets	(95)	(42)
Decrease by merger	—	(35,929)
Net income	18,826	83,012
Total changes during the period	11,036	42,321
Balance at the end of the current fiscal year	100,575	142,896
Total retained earnings		
Balance at the beginning of the current fiscal year	89,538	100,700
Changes during the period		
Cash dividends	(7,665)	(4,706)
Decrease by merger	—	(35,929)
Net income	18,826	83,012
Total changes during the period	11,161	42,376
Balance at the end of the current fiscal year	100,700	143,076
Total shareholders' equity		
Balance at the beginning of the current fiscal year	289,538	300,700
Changes during the period		
Cash dividends	(7,665)	(4,706)
Increase by merger	—	164,070
Net income	18,826	83,012
Total changes during the period	11,161	242,376
Balance at the end of the current fiscal year	300,700	543,076
Total net assets		
Balance at the beginning of the current fiscal year	289,538	300,700
Changes during the period		
Cash dividends	(7,665)	(4,706)
Increase by merger	—	164,070
Net income	18,826	83,012
Total changes during the period	11,161	242,376
Balance at the end of the current fiscal year	300,700	543,076

Notes to Financial Statements

Significant Accounting Policies

1. Valuation criteria and methods for securities
Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Shares of subsidiaries and 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 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. Valuation criteria and methods for inventories
(1) Real estate for sale in progress (Real estate under development)
Real estate for sale in progress is recognized at cost based on the specific cost method (writing down the book value of inventories based on decreased profitability).
(2) Other inventories
Other inventories are recognized at cost based on the moving-average method (writing down the book value of inventories based on decreased profitability).

3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets (excluding leased assets)
Tangible fixed assets are amortized using the straight-line method.
Useful lives for main depreciable items are as follows:
Buildings: 2-50 years
Others: 2-75 years
(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)
Depreciation of tangible fixed assets was previously computed by the declining balance method except for buildings (as for equipment attached to buildings, the declining balance method was applied). However, from the current fiscal year, the company changed the depreciation method to the straight-line method.
This change was made based on a reevaluation of depreciation methods for all assets held by the company on the occasion of the start of operation of a large real estate project (JP Tower) in the current fiscal year and the start of new capital investments in the current fiscal year accompanying a reorganization of postal network bases and other areas. As a result, because each asset is expected to be consumed on a stable and average basis throughout the service life of the asset, the company determined that the adoption of the straight-line method was appropriate for equally allocating costs over the entire service life of the asset to properly reflect the actual state of utilization in a manner that corresponds rationally to income.
As a result of this change, net operating income increased ¥12,516 million, net ordinary income increased ¥13,126 million and net income before income taxes increased ¥13,094 million compared with when using the previous method.
(2) Intangible fixed assets (excluding leased assets)
Intangible fixed assets are amortized using the straight-line method.
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) Long-term prepaid expenses
Long-term prepaid expenses are amortized using the straight-line method.

4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
General allowance is provided using a rate determined by past bad debt experience and also specific allowance is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year. Prior service cost and actuarial differences are calculated as follows:
Prior service cost: 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: Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method based on determined years (13-14 years) within the average remaining service years of the employees when incurred.
(4) Reserve for directors' retirement benefits
To provide for the payment of retirement benefits to directors, the Company provides the amount payable at the fiscal year-end in accordance with the Rules on Retirement Benefits to Directors.
(5) Reserve for loss on rebuilding of branches (post offices)
To provide for losses incurred in rebuilding branches (post offices) as part of the real estate development business, the Company records the amount of expected losses as of the end of the fiscal year. Specifically, reserve for loss on rebuilding of branches is recorded based on expected losses at the end of the fiscal year. The losses are mainly composed of those of existing buildings and expected removal.

5. Principal matters serving as the basis for preparing financial statements
(1) Consumption taxes
All figures are net of consumption taxes.
(2) Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

Changes in Presentation

(Concerning the Balance Sheets)
1. Because of a decrease in relative importance due to an increase in total assets resulting from the merger, Real estate for sale in progress and Supplies, which were listed separately in the previous fiscal year, are included in Inventories from the current fiscal year. To reflect this change in presentation method, the company has restated its Financial Statements for the previous fiscal year.
As a result, on the Balance Sheets for the previous fiscal year, ¥564 million listed as Real estate for sale in progress and ¥1,463 million listed as Supplies have been restated as Inventories in the amount of ¥2,028 million.

2. Because of a decrease in relative importance due to an increase in total assets resulting from the merger, Telephone rights, which was listed separately in the previous fiscal year, is included in Others under Intangible fixed assets from the current fiscal year. To reflect this change in presentation method, the company has restated its Financial Statements for the previous fiscal year.
As a result, on the Balance Sheets for the previous fiscal year, ¥160 million listed as Telephone rights has been restated as Others under Intangible fixed assets in the amount of ¥1,564 million.

3. Because of a decrease in relative importance due to an increase in the total amount of Liabilities and Net Assets resulting from the merger, Asset retirement obligations, which was listed under Current liabilities, and Asset retirement obligations, which was listed under Long-term liabilities, are included in Others under Current liabilities and in Others under Long-term liabilities from the current fiscal year. To reflect this change in presentation method, the company has restated its Financial Statements for the previous fiscal year.
As a result, on the Balance Sheets for the previous fiscal year, ¥574 million listed as Asset retirement obligations under Current liabilities has been restated as Others under Current Liabilities in the amount of ¥1,254 million. On the Balance Sheets for the previous fiscal year, ¥2,775 million listed as Asset retirement obligations under Long-term liabilities has been restated as Others under Long-term liabilities in the amount of ¥11,919 million.

4. Because of an increase in importance due to the merger, Claims in bankruptcy and Long-term prepaid expenses, which were included in Others under Investments and other assets, are listed separately from the current fiscal year. To reflect this change in presentation method, the company has restated its Financial Statements for the previous fiscal year.
As a result, on the Balance Sheets for the previous fiscal year, ¥10,634 million listed as Others under Investments and other assets, has been restated as Claims in bankruptcy in the amount of ¥1,773 million, Long-term prepaid expenses in the amount of ¥6,966 million, and Others in the amount of ¥1,894 million.

Notes to Balance Sheets

1. Breakdown of inventories

Real estate for sale in progress	¥1,727 million
Merchandise	¥3,069 million
Supplies	¥5,809 million

2. Accumulated depreciation of tangible fixed assets: ¥514,172 million

3. Receivables and payables involving related parties

Accounts receivable and others	¥1,266 million
Accounts payable and others	¥19,343 million

4. Assets pledged as collateral
The following is pledged as collateral for performing services as the Bank of Japan revenue sub-agents
Investments and other assets
Investment securities: ¥14,695 million
Assets pledged as collateral based on the laws concerning Financial Settlements
Investments and other assets
Others: ¥129 million

5. Monetary assets as collateral
Japan Post Co., Ltd. holds securities as collateral pledged by users of its pay-later postal services. Such securities are valued at ¥5 million as of March 31 of the current fiscal year.

6. 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 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, 2013 the potential cancellation claims were ¥114,975 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.

Notes to Statements of Income

Operating transactions with related parties

Operating income	¥14,862 million
Operating expenses	¥84,310 million
Transactions other than operational (received)	¥2,320 million
Transactions other than operational (paid)	¥478 million

Notes to Statements of Changes in Net Assets

1. Information concerning type and number of outstanding shares

(Thousands of shares)

	April 1, 2012	Increase	Decrease	March 31, 2013	Remarks
Outstanding shares					
Common shares	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 share-holders meetings on June 20, 2012	Common shares	4,706	1,176.66	March 31, 2012	June 20, 2012

Notes to Retirement Benefits

1. Summary of retirement benefits
Japan Post Co., Ltd. provides lump-sum severance payments in accordance with the company's regulations on retirement benefits.

2. Information about retirement benefit obligation

(Millions of yen)

2013 (As of March 31, 2013)	
Retirement benefit obligation	(2,063,331)
Unfunded retirement benefit obligation	(2,063,331)
Unrecognized actuarial differences	(94,581)
Unrecognized prior service cost	603
Net amount on balance sheet	(2,157,310)
Reserve for employees' retirement benefits	(2,157,310)

3. Information about retirement benefit expenses

(Millions of yen)

2013 (From April 1, 2012 to March 31, 2013)	
Service cost	78,825
Interest cost	27,414
Amortization of prior service cost	67
Amortization of actuarial differences	(3,942)
Retirement benefit expenses	102,365

4. Assumptions for the calculation of retirement benefit obligation

2013 (As of March 31, 2013)	
Recognition method of projected retirement benefit	Straight-line method over the determined period
Discount rate:	1.7%
Recognition period of actuarial differences:	13-14 years
Recognition period of prior service cost:	14 years

Business Combinations

Merger with Japan Post Service Co., Ltd.
As the "Act for Partial Revision of the Postal Service Privatization Act and others" (Act No. 30 of 2012) was enforced on October 1, 2012, the Postal Service Privatization Act (Act No. 97 of 2005) was revised. Accordingly, on the same date, Japan Post Network Co., Ltd. changed its corporate name to Japan Post Co., Ltd. as prescribed by Article 6-2-1 of the same Act. It took over operations from Japan Post Service Co., Ltd. and both companies merged as prescribed by Article 6-2-2 of the same Act.

1. Summary of merger
(1) Name and business of merged companies
1) Surviving company
Name: Japan Post Co., Ltd. (the company)
Description of business:
Postal counter operations for regular mail, parcels and other items; sales of documentary 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, etc.
2) Absorbed company
Name: Japan Post Service Co., Ltd.
Description of business:
Postal service business, domestic distribution and delivery business, international cargo transport and agency services for air cargo business, logistics business, etc.
(2) Date of the business combination
October 1, 2012
(3) Details of legal form
Absorption-type merger with Japan Post Co., Ltd. as the surviving company
Because the company and Japan Post Service Co., Ltd. are wholly owned subsidiaries of Japan Post Holdings Co., Ltd., there is no agreement on a merger ratio. Also, there were no issuances of new shares or increase in capital due to the merger and no payments of any merger grants.
(4) Name of company after the business combination
Japan Post Co., Ltd.

2. Summary of accounting implemented
The merger was treated as a combination of businesses under common control as prescribed by "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

Reference

1. Breakdown of income by business segment
A breakdown of income in the company's postal services business segment and its post office business segment is as follows.

2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Postal service business	Post office business	Elimination of intersegment transactions	Amounts recorded on Statements of Income
Operating income	966,490	1,187,938	(100,304)	2,054,124
Operating expenses	860,419	1,053,218	(103,582)	1,810,056
Gross operating income	106,070	134,719	3,278	244,068
Sales, general and administrative costs	42,067	107,502	3,278	152,848
Net operating income	64,002	27,216	—	91,219
Other income	7,879	22,384	(8,126)	22,138
Other expenses	3,879	17,305	(8,126)	13,058
Net ordinary income	68,003	32,296	—	100,299
Extraordinary gains	5	598	—	603
Extraordinary losses	945	2,991	—	3,936
Net income before income taxes	67,063	29,903	—	96,966
Income taxes current	12,965	957	—	13,923
Income taxes deferred	—	30	—	30
Total income taxes	12,965	987	—	13,953
Net income	54,097	28,915	—	83,012

Note: The postal service business segment lists the amount from October 1, 2012 onward following the merger with Japan Post Service.

2. A breakdown of income by business segment that combines the amounts for Japan Post Service for the period prior to the merger (April – September 2012) with the amounts in "1. Breakdown of income by business segment" is as follows.

2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Postal service business	Post office business	Elimination of intersegment transactions	Total
Operating income	1,754,426	1,187,938	(188,269)	2,754,094
Operating expenses	1,634,876	1,053,218	(200,615)	2,487,480
Gross operating income	119,549	134,719	12,345	266,614
Sales, general and administrative costs	82,143	107,502	5,662	195,308
Net operating income	37,405	27,216	6,683	71,305
Other income	18,767	22,384	(22,024)	19,128
Other expenses	8,337	17,305	(15,341)	10,302
Net ordinary income	47,835	32,296	—	80,131
Extraordinary gains	210	598	—	809
Extraordinary losses	2,148	2,991	—	5,140
Net income before income taxes	45,897	29,903	—	75,800
Income taxes current	14,750	957	—	15,708
Income taxes deferred	—	30	—	30
Total income taxes	14,750	987	—	15,738
Net income	31,146	28,915	—	60,061

Note: The postal service business segment corresponds to the full-year income for the original Japan Post Service and the post office business segment corresponds to the full-year income for the original Japan Post Network.

*Statements of Income for each business segment compared with the previous fiscal year are as follows. The postal service business segment for the previous fiscal year lists the amounts for Japan Post Service.

(1) Postal service business segment

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Operating income	1,764,861	1,754,426
Operating expenses	1,696,324	1,634,876
Gross operating income	68,537	119,549
Sales, general and administrative costs	90,891	82,143
Net operating income (loss)	(22,354)	37,405
Other income		
Rent income	16,388	13,296
Others	6,011	5,470
Total other income	22,399	18,767
Other expenses		
Rent expenses	7,952	6,960
Others	2,099	1,377
Total other expenses	10,052	8,337
Net ordinary income (loss)	(10,007)	47,835
Extraordinary gains		
Gain on sales of fixed assets	12	206
Compensation for transfer	—	4
Total extraordinary gains	12	210
Extraordinary losses		
Losses on sales of fixed assets	19	10
Losses on disposal of fixed assets	2,066	738
Impairment losses	127	—
Merger expenses	—	1,399
Others	420	0
Total extraordinary losses	2,633	2,148
Net income (loss) before income taxes	(12,627)	45,897
Income taxes current	(8,102)	14,750
Net income (loss)	(4,525)	31,146

(2) Post office business segment

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Operating income		
Commissions for postal service business consignment	183,270	175,691
Commissions for banking business consignment	619,085	609,578
Commissions for insurance business consignment	384,218	378,507
Other operating income	21,872	24,159
Total operating income	1,208,447	1,187,938
Operating expenses	1,061,957	1,053,218
Gross operating income	146,489	134,719
Sales, general and administrative costs	113,072	107,502
Net operating income	33,417	27,216
Other income		
Rent income	23,517	20,458
Others	4,267	1,926
Total other income	27,785	22,384
Other expenses		
Rent expenses	15,714	15,437
Others	2,743	1,868
Total other expenses	18,458	17,305
Net ordinary income	42,745	32,296
Extraordinary gains		
Gain on sales of fixed assets	261	166
Compensation for transfer	337	431
Others	9	0
Total extraordinary gains	609	598
Extraordinary losses		
Losses on sales of fixed assets	1	0
Losses on disposal of fixed assets	601	799
Impairment losses	1,967	1,018
Provision for losses on rebuilding of branches	652	—
Merger expenses	—	1,080
Others	24	93
Total extraordinary losses	3,247	2,991
Net income before income taxes	40,106	29,903
Income taxes current	21,210	957
Income taxes deferred	69	30
Total income taxes	21,280	987
Net income	18,826	28,915

3. Breakdown of segment Operating expenses and Sales, general and administrative costs
A breakdown of Operating expenses and Sales, general and administrative costs for the company's postal service business segment and the post office business segment as well as the combined amounts for each business segment are as follows. The postal service business segment includes figures for Japan Post Service for the period prior to the merger (April – September 2012). One from April 1, 2011 to March 31, 2012 lists the amounts for Japan Post Service. The breakdown of combined amounts for each business segment lists the amount after the elimination of intersegment transactions.

(1) Postal service business segment

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Operating expenses		
Personnel expenses	1,089,298	1,080,178
Salaries and allowances	791,821	784,675
Bonuses	79,008	76,609
Amount deferred for reserve for employees' bonuses	37,844	40,740
Retirement benefit expenses	59,081	57,334
Legal welfare expenses	121,542	120,818
Expenses	607,025	554,698
Charges for facilities	18,447	14,303
Depreciation expenses	55,459	41,550
Taxes and dues	10,255	10,140
Collection, delivery and transport outsourcing expenses	216,887	191,241
Postal service business consignment expenses	183,250	175,675
Others	122,724	121,786
Total operating expenses	1,696,324	1,634,876
Sales, general and administrative costs		
Personnel expenses	34,763	34,697
Salaries and allowances	23,428	23,143
Bonuses	3,584	3,204
Amount deferred for reserve for employees' bonuses	1,563	1,813
Retirement benefit expenses	2,346	2,612
Amount deferred for reserve for directors' retirement benefits	53	51
Legal welfare expenses	3,786	3,872
Expenses	56,128	47,446
Charges for fees and commissions	17,915	15,034
Subcontractor expenses	5,371	2,602
Depreciation expenses	13,679	11,507
Taxes and dues	4,011	4,312
Advertising expenses	3,709	4,304
Others	11,440	9,685
Total sales, general and administrative costs	90,891	82,143

(2) Post office business segment

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Operating expenses		
Personnel expenses	855,900	850,867
Salaries and allowances	586,124	577,898
Bonuses	73,630	72,735
Amount deferred for reserve for employees' bonuses	36,531	39,138
Retirement benefit expenses	68,653	68,188
Legal welfare expenses	90,961	92,905
Expenses	206,057	202,351
Charges for facilities	81,209	75,196
Depreciation expenses	19,802	15,722
Taxes and dues	8,056	10,879
Others	96,989	100,553
Total operating expenses	1,061,957	1,053,218
Sales, general and administrative costs		
Personnel expenses	53,565	54,318
Salaries and allowances	35,741	36,325
Bonuses	5,210	5,052
Amount deferred for reserve for employees' bonuses	2,583	2,732
Retirement benefit expenses	4,200	4,203
Amount deferred for reserve for directors' retirement benefits	52	35
Legal welfare expenses	5,776	5,970
Expenses	59,506	53,183
Charges for fees and commissions	18,740	15,837
Subcontractor expenses	8,514	6,352
Depreciation expenses	8,374	7,693
Taxes and dues	5,557	5,738
Advertising expenses	6,484	5,764
Others	11,835	11,797
Total sales, general and administrative costs	113,072	107,502

(3) Aggregated amounts for business segments

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Operating expenses		
Personnel expenses	1,945,199	1,931,045
Salaries and allowances	1,377,945	1,362,574
Bonuses	152,638	149,345
Amount deferred for reserve for employees' bonuses	74,376	79,879
Retirement benefit expenses	127,735	125,523
Legal welfare expenses	212,504	213,723
Expenses	600,604	556,435
Charges for facilities	73,689	68,367
Depreciation expenses	81,161	62,388
Taxes and dues	19,427	21,972
Collection, delivery and transport outsourcing expenses	216,880	191,241
Others	209,445	212,465
Total operating expenses	2,545,804	2,487,480
Sales, general and administrative costs		
Personnel expenses	88,363	89,036
Salaries and allowances	59,205	59,489
Bonuses	8,795	8,256
Amount deferred for reserve for employees' bonuses	4,146	4,545
Retirement benefit expenses	6,547	6,815
Amount deferred for reserve for directors' retirement benefits	105	86
Legal welfare expenses	9,562	9,842
Expenses	121,463	106,271
Charges for fees and commissions	36,082	30,676
Subcontractor expenses	13,885	9,564
Depreciation expenses	25,018	21,786
Taxes and dues	10,431	10,868
Advertising expenses	10,191	10,069
Others	25,853	23,306
Total sales, general and administrative costs	209,826	195,308

Note: The listed amounts are after the elimination of intersegment transactions.

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

The balance sheets as of March 31, 2013 and 2012 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	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Assets:		
Cash and due from banks (Notes 17 and 20):	2,744,630	9,195,940
Cash	121,510	123,843
Due from banks	2,623,119	9,072,096
Call loans (Note 20)	1,206,290	1,837,733
Receivables under securities borrowing transactions (Note 20)	5,778,828	8,141,533
Monetary claims bought (Note 20)	94,867	58,835
Trading account securities (Notes 20 and 21):	216	247
Trading Japanese government bonds	216	247
Money held in trust (Notes 20 and 21)	3,715,446	3,038,863
Securities (Notes 8, 19, 20, 21 and 22):	175,953,292	171,596,578
Japanese Government Bonds	144,939,816	138,198,732
Japanese local government bonds	5,735,585	5,806,099
Japanese corporate bonds	12,846,374	11,852,985
Other securities	12,431,516	15,738,761
Loans (Notes 20 and 23):	4,134,547	3,967,999
Loans on deeds	3,912,823	3,732,809
Overdrafts	221,724	235,189
Foreign exchanges (Note 3)	2,630	3,051
Other assets (Notes 4, 8 and 20)	1,804,199	1,636,605
Tangible fixed assets (Note 5)	160,171	154,882
Intangible fixed assets (Note 6)	65,986	64,592
Customers' liabilities for acceptances and guarantees (Note 7)	160,000	145,000
Reserve for possible loan losses (Note 20)	(1,210)	(1,182)
Total assets	195,819,898	199,840,681

Item	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Liabilities:		
Deposits (Notes 8, 9 and 20)	175,635,370	176,096,136
Payables under securities lending transactions (Notes 8 and 20)	8,302,091	9,443,239
Foreign exchanges (Note 3)	152	272
Other liabilities (Note 10)	1,377,341	2,145,910
Contingent liabilities (Note 11)		
Reserve for employees' bonuses	5,185	5,609
Reserve for employees' retirement benefits (Note 24)	135,982	136,247
Reserve for directors' retirement benefits	170	198
Deferred tax liabilities (Note 25)	385,441	870,509
Acceptances and guarantees (Notes 7 and 8)	160,000	145,000
Total liabilities	186,001,735	188,843,123
Net assets (Note 16):		
Common stock	3,500,000	3,500,000
Capital surplus	4,296,285	4,296,285
Retained earnings	1,150,595	1,440,830
Total shareholders' equity	8,946,881	9,237,115
Net unrealized gains on available-for-sale securities (Note 21)	941,871	2,137,265
Deferred gains (losses) on hedges	(70,589)	(376,823)
Total valuation and translation adjustments	871,281	1,760,442
Total net assets	9,818,162	10,997,558
Total liabilities and net assets	195,819,898	199,840,681

See notes to financial statements.

Statements of Income

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Revenues:		
Interest income:	2,006,939	1,876,142
Interest on loans	47,770	43,712
Interest and dividends on securities	1,947,853	1,816,271
Interest on call loans	1,933	3,049
Interest on receivables under securities borrowing transactions	5,368	6,409
Interest on deposits with banks	2,557	5,976
Other interest income	1,457	724
Fees and commissions:	112,446	114,801
Fees and commissions on domestic and foreign exchanges	63,875	63,701
Other fees and commissions	48,571	51,100
Other operating income (Note 12)	24,398	47,524
Other income (Note 13)	90,856	87,419
Total revenues	2,234,640	2,125,888
Expenses:		
Interest expenses:	334,205	349,831
Interest on deposits	273,738	271,837
Interest on call money	0	—
Interest on payables under securities lending transactions	10,970	11,623
Interest on borrowings	0	0
Interest on interest rate swaps	49,019	65,793
Other interest expenses	477	577
Fees and commissions:	23,985	26,675
Fees and commissions on domestic and foreign exchanges	2,362	2,645
Other fees and commissions	21,623	24,029
Other operating expenses (Note 14)	120,205	43,473
General and administrative expenses	1,173,914	1,110,767
Other expenses (Note 15)	8,550	3,588
Total expenses	1,660,860	1,534,335
Income before income taxes	**573,780**	**591,552**
Income taxes (Note 25):		
Current	226,397	227,940
Deferred	12,532	(10,335)
Total income taxes	238,930	217,604
Net income	**334,850**	**373,948**

(Yen)

	2012	2013
Net income per share (Note 29)	2,232.33	2,492.98

See notes to financial statements.

Statements of Changes in Net Assets

(Millions of yen)

	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Shareholders' Equity:		
Common stock:		
Balance at the beginning of the fiscal year	3,500,000	3,500,000
Balance at the end of the fiscal year	3,500,000	3,500,000
Capital surplus:		
Balance at the beginning of the fiscal year	4,296,285	4,296,285
Balance at the end of the fiscal year	4,296,285	4,296,285
Retained earnings:		
Balance at the beginning of the fiscal year	894,828	1,150,595
Changes during the fiscal year:		
Cash dividends	(79,083)	(83,713)
Net income	334,850	373,948
Total changes during the fiscal year	255,767	290,234
Balance at the end of the fiscal year	1,150,595	1,440,830
Total shareholders' equity:		
Balance at the beginning of the fiscal year	8,691,114	8,946,881
Changes during the fiscal year:		
Cash dividends	(79,083)	(83,713)
Net income	334,850	373,948
Total changes during the fiscal year	255,767	290,234
Balance at the end of the fiscal year	8,946,881	9,237,115
Valuation and translation adjustments:		
Net unrealized gains on available-for-sale securities:		
Balance at the beginning of the fiscal year	392,251	941,871
Changes during the fiscal year:		
Net changes in items other than shareholders' equity	549,619	1,195,394
Total changes during the fiscal year	549,619	1,195,394
Balance at the end of the fiscal year	941,871	2,137,265
Deferred gains (losses) on hedges:		
Balance at the beginning of the fiscal year	10,269	(70,589)
Changes during the fiscal year:		
Net changes in items other than shareholders' equity	(80,859)	(306,233)
Total changes during the fiscal year	(80,859)	(306,233)
Balance at the end of the fiscal year	(70,589)	(376,823)
Total valuation and translation adjustments:		
Balance at the beginning of the fiscal year	402,520	871,281
Changes during the fiscal year:		
Net changes in items other than shareholders' equity	468,760	889,161
Total changes during the fiscal year	468,760	889,161
Balance at the end of the fiscal year	871,281	1,760,442
Total net assets:		
Balance at the beginning of the fiscal year	9,093,634	9,818,162
Changes during the fiscal year:		
Cash dividends	(79,083)	(83,713)
Net income	334,850	373,948
Net changes in items other than shareholders' equity	468,760	889,161
Total changes during the fiscal year	724,527	1,179,395
Balance at the end of the fiscal year	9,818,162	10,997,558

See notes to financial statements.

Statements of Cash Flows

(Millions of yen)

	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Cash flows from operating activities:		
Income before income taxes	573,780	591,552
Adjustments for:		
Depreciation and amortization	35,108	25,812
Losses on impairment of fixed assets	1,149	606
Net change in reserve for possible loan losses	(531)	(27)
Net change in reserve for employees' bonuses	387	424
Net change in reserve for employees' retirement benefits	2,464	265
Net change in reserve for directors' retirement benefits	37	27
Interest income	(2,006,939)	(1,876,142)
Interest expenses	334,205	349,831
Losses (gains) related to securities—net	19,447	(44,166)
Gains on money held in trust—net	(81,970)	(84,389)
Foreign exchange losses (gains)—net	28,590	(97,934)
Losses on sales and disposals of fixed assets—net	1,286	874
Net change in loans	102,604	165,141
Net change in deposits	982,149	460,766
Net change in negotiable certificates of deposit	460,000	(50,000)
Net change in call loans, etc.	(738,267)	(595,419)
Net change in receivables under securities borrowing transactions	(1,295,432)	(2,362,705)
Net change in payables under securities lending transactions	218,230	1,141,147
Net change in foreign exchange assets	2,104	(421)
Net change in foreign exchange liabilities	(25)	119
Interest received	2,196,867	2,064,065
Interest paid	(189,879)	(172,694)
Other—net	141,292	196,648
Subtotal	786,659	(286,616)
Income taxes paid	(194,183)	(242,592)
Net cash provided by (used in) operating activities	592,475	(529,209)
Cash flows from investing activities:		
Purchases of securities	(54,875,266)	(79,956,927)
Proceeds from sales of securities	1,407,734	3,117,463
Proceeds from maturity of securities	53,047,690	83,767,734
Investment in money held in trust	(3,063,706)	(741,790)
Proceeds from disposition of money held in trust	1,179,325	860,899
Purchases of tangible fixed assets	(31,551)	(10,446)
Proceeds from sales of tangible fixed assets	119	—
Purchases of intangible fixed assets	(23,637)	(22,988)
Other—net	(995)	(400)
Net cash provided by (used in) investing activities	(2,360,286)	7,013,544
Cash flows from financing activities:		
Cash dividends paid	(79,083)	(83,713)
Net cash used in financing activities	(79,083)	(83,713)
Effect of exchange rate changes on cash and cash equivalents	**603**	**687**
Net change in cash and cash equivalents	**(1,846,290)**	**6,401,309**
Cash and cash equivalents at the beginning of the fiscal year	**4,005,921**	**2,159,630**
Cash and cash equivalents at the end of the fiscal year (Note 17)	**2,159,630**	**8,560,940**

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 Act 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 Act 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 ¥94.05 to US$1.00, the approximate rate of exchange as of March 31, 2013. 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 are primarily 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, 2013 and 2012 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2013 and 2012 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 is computed by the straight-line 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.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

Depreciation of tangible fixed assets, except for buildings (excluding building attachments), had been computed by the declining-balance method, but effective from the beginning of the fiscal year ended March 31, 2013, the straight-line method has been applied.

This change is aiming to unify the Group's accounting policy as JAPAN POST HOLDINGS Co., Ltd., which is the parent company, changes their depreciation method into the straight-line method, as well as to allocate depreciation costs equally over years in order to match revenue and expense, reflecting the utilization and economic benefits of those equipments.

The effect of this change on the statement of income for the fiscal year ended March 31, 2013 was immaterial.

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 (mainly 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.

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 groups of large-volume, small-value monetary debts, the Bank designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses 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 sheets, 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. Accounting Standard and Guidance That Are Yet to Be Adopted—In accordance with the policy of JAPAN POST HOLDINGS Co., Ltd., which is the Parent company, the Bank plans to adopt the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012), as follows:

(1) Overview
From the standpoint of improving financial reporting and considering international trends, the aforementioned accounting standard and guidance principally reflect the following: (a) Changes in the treatment of actuarial gains and losses and past service costs to be recognized in profit or loss; (b) Enhanced disclosures; and (c) Amendments to the determination of projected benefit obligation and current service costs.

(2) Planned Effective Dates
The Bank does not plan to adopt the above item (a) because the Bank does not prepare consolidated financial statements. The Bank plans to adopt the above item (b) effective from financial statements for the end of the fiscal year beginning on April 1, 2013. The Bank plans to adopt the above item (c) effective from the start of the fiscal year beginning on April 1, 2014.

(3) Effect of Adopting this Accounting Standard and Guidance
The Bank is currently evaluating the effect of adopting this accounting standard and guidance.

3. Foreign Exchanges
Foreign exchanges as of March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Assets:		
Due from foreign banks	2,603	3,018
Foreign bills bought and foreign exchanges purchased	27	32
Total	2,630	3,051
Liabilities:		
Foreign bills sold	34	32
Foreign bills payable	117	239
Total	152	272

4. Other Assets
Other assets as of March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Domestic exchange settlement accounts—debit	4,322	3,470
Prepaid expenses	15,215	10,898
Accrued income	373,672	362,754
Derivatives other than trading	29,305	7,671
Other	1,381,683	1,251,810
Total	1,804,199	1,636,605

5. Tangible Fixed Assets
Tangible fixed assets as of March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Buildings	103,951	105,336
Land	26,991	26,991
Construction in progress	41	19
Other	167,850	170,753
Subtotal	298,835	303,101
Accumulated depreciation	138,664	148,218
Total	160,171	154,882

6. Intangible Fixed Assets
Intangible fixed assets as of March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Software	97,132	141,374
Other	41,594	9,252
Subtotal	138,727	150,626
Accumulated depreciation	72,740	86,033
Total	65,986	64,592

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, 2013 and 2012 were as follows:

(Millions of yen)

	2012	2013
Assets pledged as collateral:		
Securities	41,832,604	37,240,751
Liabilities corresponding to assets pledged as collateral:		
Deposits	35,153,099	29,974,390
Payables under securities lending transactions	8,302,091	9,443,239
Acceptances and guarantees	160,000	145,000

Additionally, securities as of March 31, 2013 and 2012 amounting to ¥4,900,344 million ($52,103,612 thousand) and ¥4,020,287 million, respectively, were pledged as collateral for transactions such as Bank of Japan overdrafts, exchange settlement transactions, or substitute securities for derivatives and margin deposit of future transactions.

As of March 31, 2013 and 2012, guarantee deposits amounting to ¥1,697 million ($18,047 thousand) and ¥1,515 million, respectively, are included in "Other assets" in the accompanying balance sheets.

9. Deposits

Deposits as of March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Transfer deposits	9,474,107	10,209,954
Ordinary deposits	44,974,076	44,900,184
Savings deposits	411,182	402,558
Time deposits	18,426,695	18,817,949
Special deposits*	35,139,156	29,958,707
TEIGAKU deposits**	66,950,563	71,560,721
Other deposits	259,588	246,060
Total	175,635,370	176,096,136

* "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 Ordinance for Enforcement of the Banking Act.

10. Other Liabilities

Other liabilities as of March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Domestic exchange settlement accounts—credit	8,784	7,817
Income taxes payable	42,301	37,541
Accrued expenses	919,086	1,091,251
Unearned income	49	122
Derivatives other than trading	187,374	683,309
Asset retirement obligations	147	301
Other	219,596	325,566
Total	1,377,341	2,145,910

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, 2013 and 2012 are as follows:

(Millions of yen)

	2012	2013
One year or less	8,785	5,625
Over one year	11,856	6,822
Total	20,641	12,448

12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Gains on sales of bonds	24,398	47,403
Income from derivatives other than for trading or hedging	—	120
Total	24,398	47,524

13. Other Income

Other income for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Gains on money held in trusts	86,266	84,391
Reversal of reserve for possible loan losses	298	17
Recoveries of written-off claims	21	17
Gains on sales and disposals of fixed assets	44	—
Other	4,226	2,993
Total	90,856	87,419

14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Losses on foreign exchanges	67,971	40,236
Losses on sales of bonds	32,134	3,236
Losses on devaluation of bonds	11,711	—
Expenses on derivatives other than for trading or hedging	8,387	—
Total	120,205	43,473

15. Other Expenses

Other expenses for the fiscal years ended March 31, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Losses on money held in trust	4,296	1
Losses on sales and disposals of fixed assets	1,330	874
Losses on impairment of fixed assets	1,149	606
Group restructuring expenses	—	501
Other	1,774	1,603
Total	8,550	3,588

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 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, 2013 and 2012 were as follows:

(Thousands of 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, 2012 Common stock	600,000	150,000	—	—	150,000
March 31, 2013 Common stock	600,000	150,000	—	—	150,000

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

Dividends distributed during the fiscal year ended March 31, 2013:

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

Of dividends whose record date was included in the fiscal years ended March 31, 2013 and 2012, those whose effective date occurs after the fiscal year's closing:

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

2013					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 9, 2013	Common stock	93,487	623.25	March 31, 2013	May 10, 2013

17. Cash and Cash Equivalents
The reconciliation between cash and cash equivalents in the statements of cash flows and cash and due from banks in the balance sheets as of March 31, 2013 and 2012 was as follows:

(Millions of yen)

	2012	2013
Cash and due from banks	2,744,630	9,195,940
Due from banks, – negotiable certificates of deposit in other banks	(585,000)	(635,000)
Cash and cash equivalents	2,159,630	8,560,940

18. Leases
Operating lease transactions:
Future lease payments on noncancelable operating leases as of March 31, 2013 and 2012 were as follows:

(Millions of yen)

	2012	2013
Due within one year	1,200	1,157
Due over one year	1,150	2,685
Total	2,350	3,843

19. Securities
As of the end of the fiscal years ended March 31, 2013 and 2012, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥8,150,664 million ($86,663,101 thousand) and ¥5,792,636 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, securities investment trusts, and insurance products, 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 hedging instruments, the hedged items, the hedging policy, and the way to evaluate the effectiveness of hedges are included in the section "Summary of Accounting Policies i. Derivatives and Hedging Activities."

(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 and other fluctuations. However, based on internal guidelines regarding market risk management, the Bank measures the amount of market risk using the VaR statistical method. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

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

The Bank measures and manages market risk using the Value at Risk (VaR) method. For its market risk measurement model, the Bank uses a 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, 2013 and 2012, the Bank calculates the amounts of its market risk (estimated potential losses from such risk) at ¥1,502,106 million ($15,971,356 thousand) and ¥1,910,470 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 sheets, the fair values, and the differences between the two as of March 31, 2013 and 2012 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 (see Note 2).

(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)	—

(Millions of yen)

2013			
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	9,195,940	9,195,940	—
(2) Call loans	1,837,733	1,837,733	—
(3) Receivables under securities borrowing transactions	8,141,533	8,141,533	—
(4) Monetary claims bought	58,835	58,835	—
(5) Trading account securities:			
Securities classified as trading purposes	247	247	—
(6) Money held in trust	3,038,863	3,038,863	—
(7) Securities:			
Held-to-maturity securities	98,714,603	101,981,887	3,267,283
Available-for-sale securities	72,881,039	72,881,039	—
(8) Loans:	3,967,999		
Reserve for possible loan losses**	(187)		
	3,967,811	4,095,662	127,850
Total assets	197,836,609	201,231,743	3,395,133
(1) Deposits	176,096,136	176,855,753	759,617
(2) Payables under securities lending transactions	9,443,239	9,443,239	—
Total liabilities	185,539,375	186,298,992	759,617
Derivative transactions***:			
For which hedge accounting is not applied	(11)	(11)	—
For which hedge accounting is applied	(675,625)	(675,625)	—
Total derivative transactions	(675,637)	(675,637)	—

* 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, such as loans secured by deposit, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the 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)
The amount on the balance sheet of financial instruments for which the Bank deems it extremely difficult to determine a fair value as of March 31, 2013 and 2012 was as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities."

(Millions of yen)

	2012	2013
Type	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates (unlisted)	900	935

(Note 3)
Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal years ended March 31, 2013 and 2012 were as follows:

(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

(Millions of yen)

2013						
	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	9,072,096	—	—	—	—	—
Call loans	1,837,733	—	—	—	—	—
Receivables under securities borrowing transactions	8,141,533	—	—	—	—	—
Monetary claims bought	409	986	3,126	11,800	10,000	31,513
Securities:	34,829,884	49,124,597	29,055,702	19,577,592	28,998,296	3,467,100
Held-to-maturity securities:	19,097,031	33,933,415	19,796,550	10,887,190	14,849,400	—
Japanese Government Bonds	17,148,200	31,286,400	18,039,940	9,351,100	14,849,400	—
Japanese local government bonds	893,340	845,725	341,284	—	—	—
Japanese corporate bonds	966,636	1,732,799	1,351,014	1,503,657	—	—
Other securities	88,854	68,490	64,311	32,433	—	—
Available-for-sale securities (with maturity date):	15,732,852	15,191,181	9,259,152	8,690,402	14,148,896	3,467,100
Japanese Government Bonds	13,262,928	9,001,417	4,747,716	5,010,511	11,563,767	2,317,500
Japanese local government bonds	168,917	730,660	493,559	1,182,542	926,900	35,804
Japanese corporate bonds	1,219,301	1,752,796	719,143	917,200	475,940	1,029,437
Other securities	1,081,705	3,706,307	3,298,733	1,580,148	1,182,288	84,358
Loans	1,304,325	935,022	567,162	491,623	396,399	268,827
Total	55,185,983	50,060,606	29,625,990	20,081,016	29,404,695	3,767,441

(Note 4)
Scheduled repayment amounts of other interest-bearing liabilities subsequent to fiscal years ended March 31, 2013 and 2012 were as follows:

(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	—

(Millions of yen)

2013						
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	79,766,298	5,397,643	26,816,040	22,363,442	41,752,711	—
Payables under securities lending transactions	9,443,239	—	—	—	—	—
Total	89,209,537	5,397,643	26,816,040	22,363,442	41,752,711	—

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

21. Fair Value Information for Securities
Fair value information of securities was as follows.

Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, 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 sheets.

a. Trading account securities
There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statements of income for the fiscal years ended March 31, 2013 and 2012.

b. Held-to-maturity securities

(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

(Millions of yen)

2013				
	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	89,247,254	92,244,168	2,996,914
	Japanese local government bonds	2,078,294	2,131,151	52,856
	Japanese corporate bonds	5,488,581	5,697,189	208,608
	Others	254,090	300,789	46,699
	Total	97,068,219	100,373,299	3,305,079
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,568,406	1,568,344	(62)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	77,978	77,953	(24)
	Others	—	—	—
	Total	1,646,384	1,646,297	(87)
Total		98,714,603	102,019,596	3,304,992

c. Investments in subsidiaries and affiliates

As of March 31, 2013 and 2012, there were no investments in subsidiaries.

The securities of affiliates (¥935 million ($9,941 thousand) as of March 31, 2013 and ¥900 million as of March 31, 2012) were all unlisted, and did not have a market price. Since it was extremely difficult to determine a fair value of the securities, the fair value and the difference were not disclosed.

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

(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

(Millions of yen)

2013				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	50,333,216	48,736,260	1,596,955
	Japanese Government Bonds	41,223,647	39,942,346	1,281,301
	Japanese local government bonds	3,705,919	3,560,666	145,253
	Japanese corporate bonds	5,403,649	5,233,248	170,401
	Others	14,437,296	13,029,183	1,408,113
	Total	64,770,513	61,765,444	3,005,069
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	7,064,086	7,081,794	(17,708)
	Japanese Government Bonds	6,159,424	6,159,931	(507)
	Japanese local government bonds	21,885	21,901	(15)
	Japanese corporate bonds	882,777	899,961	(17,184)
	Others	1,740,275	1,763,636	(23,361)
	Total	8,804,361	8,845,431	(41,069)
Total		73,574,875	70,610,875	2,963,999

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 for the fiscal years ended March 31, 2013 and 2012 amounted to ¥133,725 million ($1,421,856 thousand) and ¥11,310 of profit, respectively.

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

Held-to-maturity securities sold during the fiscal years ended March 31, 2013 and 2012 consisted of the following:

(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

(Millions of yen)

2013			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	972,574	973,195	621
Total	972,574	973,195	621

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 (losses) 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, 2013 and 2012 consisted of the following:

(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)

(Millions of yen)

2013			
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	1,487,777	15,402	(77)
Japanese Government Bonds	1,398,345	14,318	—
Japanese corporate bonds	89,431	1,084	(77)
Others	657,111	32,000	(3,159)
Total	2,144,889	47,403	(3,236)

Note: For the securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities at fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. No impairment loss was recognized for the fiscal year ended March 31, 2013. The amount of impairment losses for the fiscal year ended March 31, 2012 amounted to ¥11,711 million.

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
Fair value information of money held in trust was as follows.
The Bank did not hold money held in trust for the purpose of trading or held-to-maturity as of March 31, 2013 and 2012.
Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2013 and 2012 were as follows:

(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)

(Millions of yen)

2013					
	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	3,038,863	2,541,188	497,674	510,700	(13,025)

Note: For the money held in trust (excluding money held in trust for the purpose of trading) with market quotations that are under management as trust assets, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities 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, 2013 and 2012 amounted to ¥10,601 million ($112,725 thousand) and ¥17,352 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, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Valuation differences:	1,467,577	3,327,948
Available-for-sale securities	1,228,949	2,830,273
Available-for-sale money held in trust	238,628	497,674
Deferred tax assets (liabilities)	(525,706)	(1,190,683)
Unrealized gains (losses) on available-for-sale securities	941,871	2,137,265

Note: Within the valuation difference of Available-for-sale securities, the amount included in statements of income due to applying fair value hedge accounting for the fiscal years ended March 31, 2013 and 2012 amounted to ¥133,725 million ($1,421,856 thousand) and ¥11,310 million of profit, respectively.

22. Derivatives
a. Derivatives for which hedge accounting is not applied as of March 31, 2013 and 2012
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, 2013 and 2012
(2) Currency-related derivatives as of March 31, 2013 and 2012:
The Bank had the following derivative instruments outstanding as of March 31, 2013 and 2012:

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

Currency-related derivatives (as of March 31, 2013)

(Millions of yen)

2013					
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	1,535	—	(11)	(11)
Total		—	—	(11)	(11)

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, 2013 and 2012
(4) Bond-related derivatives: None as of March 31, 2013 and 2012
(5) Commodity-related derivatives: None as of March 31, 2013 and 2012
(6) Credit derivatives: None as of March 31, 2013 and 2012

b. Derivatives for which hedge accounting is applied as of March 31, 2013 and 2012
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)

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

(Millions of yen)

2013					
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)	2,836,790	2,836,790	(236,571)
	Receive fixed swaps, pay floating swaps	Deposits	1,050,000	—	801
Total			—	—	(235,770)

Notes:1. The deferred hedge accounting method is 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)

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	
	Currency swap		20,977	20,977	(Note 3)
Total			—	—	(45,000)

(Millions of yen)

2013					
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)	375,757	244,301	(32,290)
	Currency swap		2,261,381	2,125,693	(374,319)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	798,644	—	(33,244)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	189,995	115,726	(Note 3)
	Currency swap		80,198	59,220	
Total			—	—	(439,855)

Notes: 1. The deferred hedge accounting method 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, 2013 and 2012
(4) Bond-related derivatives: None as of March 31, 2013 and 2012

23. Loans

"Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans" did not exist as of March 31, 2013 and 2012.

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 ¥7,735 million ($82,243 thousand) and ¥27,735 million as of March 31, 2013 and 2012, respectively. Of this amount, ¥5,000 million ($53,163 thousand) and ¥25,000 million as of March 31, 2013 and 2012, respectively, related to loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time.

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

24. Reserve for Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2013 and 2012 was as follows:

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, 2013 and 2012 consisted of the following:

(Millions of yen)

	2012	2013
Projected benefit obligation	(129,186)	(128,120)
Unfunded projected benefit obligation	(129,186)	(128,120)
Unrecognized net actuarial losses	(6,796)	(8,127)
Net amount recorded on the balance sheets	(135,982)	(136,247)
Reserve for employees' retirement benefits	(135,982)	(136,247)

The breakdown of total retirement benefit costs for the fiscal years ended March 31, 2013 and 2012 was as follows:

(Millions of yen)

	2012	2013
Service cost	6,461	6,499
Interest cost on projected benefit obligation	2,190	2,195
Amortization of unrecognized net actuarial losses	(676)	(812)
Others	0	0
Total retirement benefit costs	7,976	7,882

Assumptions used in the calculation of the above information for the fiscal years ended March 31, 2013 and 2012 were set forth as follows:

	2012	2013
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. Deferred Tax Assets/Liabilities
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, 2013 and 2012 were as follows:

(Millions of yen)

	2012	2013
Deferred tax assets:		
Reserve for possible loan losses	206	171
Reserve for employees' retirement benefits	48,843	48,806
Depreciation	13,573	17,326
Accrued interest on deposits	14,690	24,217
Impairment losses of money held in trust	9,813	3,076
Deferred losses on hedges	39,088	208,661
Accrued enterprise taxes	8,996	9,111
Other	19,156	18,686
Total deferred tax assets	154,367	330,059
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(525,706)	(1,190,683)
Other	(14,103)	(9,885)
Total deferred tax liabilities	(539,809)	(1,200,568)
Net deferred tax liabilities	(385,441)	(870,509)

For the fiscal years ended March 31, 2013 and 2012, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

26. Profit or Loss From Equity Method
The details for the fiscal years ended March 31, 2013 and 2012 were as follows:

(Millions of yen)

	2012	2013
Investments in affiliates	900	935
Investments, if equity method accounting is adopted	866	923
Investment gains, if equity method accounting is adopted	29	22

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 fiscal years ended March 31, 2013 and 2012.
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 fiscal years ended March 31, 2013 and 2012.
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, 2013 and 2012.
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 fiscal years ended March 31, 2013 and 2012.

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
Transactions between the Bank and related parties for the fiscal years ended March 31, 2013 and 2012 were as follows:
(1) Transactions between the Bank and the parent company, or major shareholders:

For the fiscal 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	Business management Concurrent holding of positions by executive management directors		
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

For the fiscal year ended March 31, 2013
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	Business management Concurrent holding of positions by executive management directors		
Details of transactions	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥ 27,009 million	¥ 28,270 million	¥ 2,914 million
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥ 5,560 million	¥ 2,462 million	¥ 267 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, 2013 and 2012

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates:

For the fiscal 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 bank agency services and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to bank agency services	
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 operations provided by the operation outsourcing companies.
** The figures represent advance payments of funds necessary for delivery of deposits based on the bank agency services 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 bank agency services 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.

For the fiscal year ended March 31, 2013
JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil			
Capital	¥100,000 million			
Nature of transactions	Consignment of bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of consignment fees related to bank agency services*	Receipt and payment of funds related to bank agency services		Payment of consignment fees for logistics operations****
Transaction amount	¥609,578 million	¥1,162,630 million	—	¥2,274 million
Account	Other liabilities	Other assets**	Other liabilities ***	Other liabilities
Outstanding balance at end of the fiscal year	¥54,171 million	¥1,120,000 million	¥32,468 million	¥323 million

* The figures are determined based on the total costs incurred in connection with the operations provided by the operation outsourcing companies.
** The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2013.
*** The figures represent the unsettled amount between the Bank and JAPAN POST Co., Ltd. in connection with receipt/payment operations with customers in bank agency services. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.
**** Payment is made of fees for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on general transactions.
Notes: 1. Transaction amount is exclusive of consumption and other taxes. Year-end balance includes consumption and other taxes.
2. The above amounts include the amount of transactions with JAPAN POST SERVICE Co., Ltd. On October 1, 2012, JAPAN POST NETWORK Co., Ltd. changed its name to JAPAN POST Co., Ltd., and acquired the business operations, etc., of and merged with JAPAN POST SERVICE Co., Ltd.

(4) Transactions between the Bank and directors and/or executive officers:
None for the fiscal years ended March 31, 2013 and 2012

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 as of March 31, 2013 and 2012 and net income per share for the years then ended were as follows:

(Yen)

	2012	2013
Net assets per share	65,454.41	73,317.05
Net income per share	2,232.33	2,492.98

Net assets per share as of March 31, 2013 and 2012 were calculated based on the following:

(Millions of yen)

	2012	2013
Net assets	9,818,162	10,997,558
Net assets attributable to common stock at the end of the fiscal year	9,818,162	10,997,558
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousands of shares)	150,000	150,000

Net income per share data for the fiscal years ended March 31, 2013 and 2012 were calculated based on the following:

(Millions of yen)

	2012	2013
Net income	334,850	373,948
Net income attributable to common stock	334,850	373,948
Average number of common stock outstanding during the fiscal year (thousands of 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, 2013 and 2012.

30. Subsequent Event

None

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

The balance sheets as of March 31, 2013 and 2012 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	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Assets		
Cash and deposits	1,224,924	724,181
Cash	5,514	5,196
Deposits	1,219,410	718,984
Call loans	597,714	203,452
Receivables under securities borrowing transactions	1,972,888	2,331,286
Monetary claims bought	14,591	427,417
Money held in trust	242,747	256,832
Securities	74,587,160	72,558,181
Japanese government bonds	59,962,157	56,472,609
Japanese local government bonds	7,777,903	8,698,497
Japanese corporate bonds	6,227,510	6,483,840
Stocks	984	984
Foreign securities	618,605	902,249
Loans	13,929,040	12,691,554
Policy loans	20,993	35,924
Industrial and commercial loans	578,602	676,792
Loans to Management Organization for Postal Savings and Postal Life Insurance	13,329,443	11,978,837
Tangible fixed assets	85,832	85,968
Land	40,726	40,726
Buildings	33,302	33,262
Leased assets	1,063	1,335
Construction in progress	10	15
Other tangible fixed assets	10,730	10,628
Intangible fixed assets	102,155	106,933
Software	102,128	106,909
Other intangible fixed assets	27	24
Agency accounts receivable	115,185	133,911
Other assets	447,715	482,227
Accounts receivable	88,884	147,478
Prepaid expenses	594	516
Accrued income	351,417	327,778
Money on deposit	1,660	1,700
Derivatives	—	1,237
Suspense payments	3,415	628
Other assets	1,742	2,886
Deferred tax assets	369,795	461,513
Allowance for doubtful accounts	(1,079)	(1,095)
Total assets	**93,688,672**	**90,462,364**

Item	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)
Liabilities		
Policy reserves and other reserves	88,651,016	84,746,052
Reserve for outstanding claims	995,735	947,123
Policy reserves	85,143,840	81,401,981
Reserve for policyholders' dividends	2,511,441	2,396,947
Due to reinsurers	266	191
Other liabilities	3,230,062	3,662,976
Payables under securities lending transactions	2,442,224	3,114,558
Income taxes payable	23,461	12,840
Accounts payable	602,443	395,091
Accrued expenses	11,267	14,898
Unearned revenues	0	5
Deposits received	12,293	12,700
Deposits received from Management Organization for Postal Savings and Postal Life Insurance	104,224	78,877
Derivatives	658	6,417
Lease obligations	1,116	1,401
Asset retirement obligations	15	15
Suspense receipts	31,907	25,798
Other liabilities	451	371
Reserve for possible claim payments	—	7,003
Reserve for employees' retirement benefits	56,870	58,331
Reserve for directors' retirement benefits	162	164
Reserve under the special law	458,215	522,872
Reserve for price fluctuations	458,215	522,872
Total liabilities	**92,396,595**	**88,997,593**
Net assets		
Capital stock	500,000	500,000
Capital surplus	500,044	500,044
Legal capital surplus	405,044	405,044
Other capital surplus	95,000	95,000
Retained earnings	234,881	308,948
Legal retained earnings	9,285	12,672
Other retained earnings	225,596	296,276
Retained earnings brought forward	225,596	296,276
Total shareholders' equity	1,234,926	1,308,993
Net unrealized gains (losses) on securities	57,151	155,778
Total valuation and translation adjustments	57,151	155,778
Total net assets	**1,292,077**	**1,464,771**
Total liabilities and net assets	**93,688,672**	**90,462,364**

Statements of Income

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Ordinary income	**12,538,618**	**11,834,920**
Insurance premiums and others	**6,856,486**	**6,481,772**
Insurance premiums	6,856,486	6,481,772
Investment income	**1,631,764**	**1,560,789**
Interest and dividend income	1,541,132	1,500,194
Interest on bank deposits	580	419
Interest and dividends on securities	1,191,184	1,188,796
Interest on loans	9,519	10,949
Interest on loans to Management Organization for Postal Savings and Postal Life Insurance	337,466	295,861
Other interest and dividends	2,381	4,167
Gains on sales of securities	90,324	60,344
Gains on redemptions of securities	55	62
Other investment income	252	188
Other ordinary income	**4,050,367**	**3,792,358**
Reversal of reserve for outstanding claims	25,187	48,611
Reversal of policy reserves	4,020,923	3,741,858
Reversal of reserve for possible claim payments	2,303	—
Others	1,953	1,888
Ordinary expenses	**12,007,229**	**11,305,545**
Insurance claims and others	**11,338,440**	**10,673,000**
Insurance claims	10,997,839	10,189,390
Annuity payments	138,502	197,107
Benefits	19,842	26,231
Surrender benefits	102,919	154,965
Other refunds	79,336	105,305
Provision for policy reserves and others	**13,328**	**9,008**
Provision for interest portion of reserve for policyholders' dividends	13,328	9,008
Investment expenses	**63,040**	**29,515**
Interest expenses	1,964	3,753
Losses on money held in trust	26,298	4,108
Losses on sales of securities	30,200	19,665
Losses on redemptions of securities	77	78
Losses on derivatives	331	318
Foreign exchange losses	3,131	672
Provision for allowance for doubtful accounts	23	18
Other investment expenses	1,013	900
Operating expenses	**516,039**	**512,908**
Other ordinary expenses	**76,380**	**81,111**
Taxes	37,922	38,068
Depreciation	37,062	34,422
Provision for reserve for possible claim payments	—	7,003
Provision for reserve for employees' retirement benefits	1,099	1,395
Provision for reserve for directors' retirement benefits	31	1
Others	265	219
Net ordinary income	**531,388**	**529,375**
Extraordinary gains	**—**	**127**
Other extraordinary gains	—	127
Extraordinary losses	**50,481**	**67,107**
Losses on disposal of fixed assets	1,780	1,958
Provision for reserve under the special law	48,541	64,656
Provision for reserve for price fluctuations	48,541	64,656
Group reorganization expenses	—	491
Disaster losses	158	—
Provision for reserve for policyholders' dividends	**271,963**	**307,427**
Income before income taxes	**208,944**	**154,969**
Income taxes-current	**214,800**	**199,231**
Income taxes-deferred	**(73,589)**	**(135,262)**
Total income taxes	**141,210**	**63,968**
Net income	**67,734**	**91,000**

Statements of Changes in Net Assets

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Shareholders' equity:		
Capital stock:		
Balance at the beginning of the year	500,000	500,000
Balance at the end of the year	500,000	500,000
Capital surplus:		
Legal capital surplus:		
Balance at the beginning of the year	405,044	405,044
Balance at the end of the year	405,044	405,044
Other capital surplus:		
Balance at the beginning of the year	95,000	95,000
Balance at the end of the year	95,000	95,000
Total capital surplus:		
Balance at the beginning of the year	500,044	500,044
Balance at the end of the year	500,044	500,044
Retained earnings:		
Legal retained earnings:		
Balance at the beginning of the year	5,422	9,285
Changes during the year:		
Dividends	3,863	3,386
Total changes during the year	3,863	3,386
Balance at the end of the year	9,285	12,672
Other retained earnings:		
Retained earnings brought forward:		
Balance at the beginning of the year	181,044	225,596
Changes during the year:		
Dividends	(23,182)	(20,320)
Net income	67,734	91,000
Total changes during the year	44,551	70,680
Balance at the end of the year	225,596	296,276
Total retained earnings:		
Balance at the beginning of the year	186,466	234,881
Changes during the year:		
Dividends	(19,319)	(16,933)
Net income	67,734	91,000
Total changes during the year	48,415	74,066
Balance at the end of the year	234,881	308,948
Total shareholders' equity:		
Balance at the beginning of the year	1,186,511	1,234,926
Changes during the year:		
Dividends	(19,319)	(16,933)
Net income	67,734	91,000
Total changes during the year	48,415	74,066
Balance at the end of the year	1,234,926	1,308,993

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Valuation and translation adjustments:		
Net unrealized gains (losses) on securities:		
Balance at the beginning of the year	21,179	57,151
Changes during the year:		
Net changes other than shareholders' equity	35,971	98,627
Total changes during the year	35,971	98,627
Balance at the end of the year	57,151	155,778
Total valuation and translation adjustments:		
Balance at the beginning of the year	21,179	57,151
Changes during the year:		
Net changes other than shareholders' equity	35,971	98,627
Total changes during the year	35,971	98,627
Balance at the end of the year	57,151	155,778
Total net assets:		
Balance at the beginning of the year	1,207,690	1,292,077
Changes during the year:		
Dividends	(19,319)	(16,933)
Net income	67,734	91,000
Net changes other than shareholders' equity	35,971	98,627
Total changes during the year	84,387	172,694
Balance at the end of the year	1,292,077	1,464,771

Statements of Cash Flows

(Millions of yen)

Item	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Cash flows from operating activities:		
Income before income taxes	208,944	154,969
Depreciation	37,062	34,422
Increase (decrease) in reserve for outstanding claims	(25,187)	(48,611)
Increase (decrease) in policy reserves	(4,020,923)	(3,741,858)
Interest portion of reserve for policyholders' dividends	13,328	9,008
Provision for reserve for policyholders' dividends	271,963	307,427
Increase (decrease) in allowance for doubtful accounts	29	16
Increase (decrease) in reserve for possible claim payments	(2,303)	7,003
Increase (decrease) in reserve for employees' retirement benefits	1,148	1,461
Increase (decrease) in reserve for directors' retirement benefits	31	1
Increase (decrease) in reserve for price fluctuations	48,541	64,656
Interest, dividends and other income	(1,541,132)	(1,500,194)
Losses (gains) on money held in trust	26,298	4,108
Losses (gains) related to securities	(60,102)	(40,662)
Interest expenses	1,964	3,753
Losses (gains) on derivatives	331	318
Foreign exchange losses (gains)	3,131	672
Losses (gains) related to tangible fixed assets	362	148
Group reorganization expenses	—	491
Disaster losses	158	—
Net decrease (increase) in agency accounts receivable	12,731	(18,725)
Decrease (increase) in other assets (excluding investing and financing activities)	(43,262)	(56,925)
Net increase (decrease) in reinsurance accounts payable	44	(75)
Increase (decrease) in other liabilities (excluding investing and financing activities)	(22,291)	(19,815)
Others	1,529	1,942
Subtotal	(5,087,602)	(4,836,467)
Interest and dividend income received	1,470,434	1,581,800
Interest expenses paid	(1,978)	(3,754)
Dividends to policyholders paid	(405,549)	(430,448)
Others	—	(363)
Income taxes paid	(168,071)	(245,575)
Net cash provided by (used in) operating activities	**(4,192,768)**	**(3,934,809)**
Cash flows from investing activities:		
Payments for purchases of call loans	(30,579,814)	(30,330,152)
Proceeds from redemptions of call loans	30,577,789	30,724,414
Payments for purchases of monetary claims bought	(123,493)	(2,044,334)
Proceeds from sales and redemptions of monetary claims bought	149,993	1,632,157
Increase in money held in trust	(40,000)	(10,000)
Decrease in money held in trust	37	34,951
Payments for purchases of securities	(11,307,874)	(7,800,780)
Proceeds from sales and redemptions of securities	13,482,337	9,936,387
Origination of loans	(2,068,102)	(1,802,395)
Proceeds from collections of loans	2,699,968	3,034,426
Net increase (decrease) in receivables/payables under securities borrowing transactions	258,374	313,935
Others	383,480	(197,656)
Total of net cash provided by (used in) investment transactions	3,432,696	3,490,954
Total of net cash provided by (used in) operating activities and investment transactions as above	**(760,071)**	**(443,855)**
Payments for purchases of tangible fixed assets	(5,499)	(4,646)
Payments for purchases of intangible fixed assets	(36,084)	(34,322)
Payments to acquire equity of subsidiaries	(984)	—
Others	984	(659)
Net cash provided by (used in) investing activities	**3,391,113**	**3,451,325**
Cash flows from financing activities:		
Repayments of lease obligations	(280)	(325)
Dividends paid	(19,319)	(16,933)
Net cash provided by (used in) financing activities	**(19,599)**	**(17,259)**
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	**(821,254)**	**(500,743)**
Cash and cash equivalents at beginning of the year	**2,046,178**	**1,224,924**
Cash and cash equivalents at end of the year	**1,224,924**	**724,181**

Notes to Financial Statements

Summary of Significant Accounting Policies

1. Securities
Securities (including cash and deposits, monetary claims bought that are deemed equivalent to securities) are classified and accounted for as follows:
(1) Held-to-maturity bonds 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 fair value at the end of the fiscal year, with cost determined by the moving-average method.
2) Available-for-sale securities with fair values which 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 (straight-line 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 included in a separate component of net assets.
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 stocks are determined using the average market price during the past one month.
Net unrealized gains or losses with respect to money held in trust are included in a separate component of net assets.
3. Derivatives
Derivatives are stated at fair value.
4. Depreciation/amortization of fixed assets
(1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed using the straight-line method.
Useful lives of principal assets are as follows:
1) Buildings, equipment attached to buildings and structures:
2-55 years
2) Other tangible fixed assets:
2-20 years
(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)
Depreciation of tangible fixed assets was previously computed by the declining balance method except for buildings (except for equipment attached to buildings). However, from the current fiscal year, Japan Post Insurance changed to the straight-line method of depreciation.
This change was made based on a reevaluation of the method for depreciating assets from the perspective of unifying the company's accounting policies with those of parent company Japan Post Holdings Co., Ltd. along with a change in depreciation method by Japan Post Holdings from the declining balance method to the straight-line method on the occasion of making systems investments and large-scale real estate investments within the Group. As a result, because each asset is expected to be consumed on a stable and average basis throughout the service life of the asset, the company determined that the adoption of the straight-line method was appropriate for equally allocating costs over the entire service life of the asset to properly reflect the actual state of utilization in a manner that corresponds rationally to income.
This change had no material impact on profits or losses during the fiscal year.
(2) Intangible fixed assets
Amortization of capitalized software for internal use is computed using the straight-line method based on the prescribed useful lives (generally 5 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 doubtful accounts is provided pursuant to 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 the internal 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, 2013 was ¥64 million.
(2) Reserve for possible claim payments
To prepare for possible future additional insurance claim payments resulting from current initiatives for enhancing guidance instructions for insurance benefit claims, Reserve for possible claim payments includes amounts of expected additional payments for hospitalization benefit and surgery benefit rationally computed based on actual results to the present.
(3) 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.
(4) 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.
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 industrial and commercial 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	Industrial and commercial 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:
Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized by performing a calculation based on the following methodology:
1) 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).
2) 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 agreements with the Management Organization for Postal Savings and Postal Life Insurance. Accordingly, ¥171,491 million was recorded in the fiscal year ended March 31, 2013.
(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

(Accounting treatment for loans payable on the last day of the fiscal period)
Regarding principal of ¥597,352 million and interest of ¥127,671 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 1, 2013, 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 ¥10,334 million in payments which were received beforehand, this amount was recorded in Suspense receipts.

Notes to Balance Sheets

1. Regarding consumption loan contracts, the carrying amount of securities (Japanese government bonds) lent in securities borrowing and lending transactions with cash collateral is ¥445,116 million. The carrying amount of cash collateral for these securities borrowing and lending transactions is ¥469,819 million.
2. The amount of securities in trust established to engage in securities lending transactions for income is ¥4,065,099 million.
Under the securities indenture, the amount of securities lent in securities borrowing and lending transactions with cash collateral is ¥2,370,429 million. The carrying amount of cash collateral for these securities borrowing and lending transactions is ¥2,644,739 million.
The amount of holding securities out of that borrowed in securities borrowing and lending transactions with cash collateral is ¥2,330,656 million at fair value.
3. Carrying amount, fair value and the risk management policy for policy reserve-matching bonds are as follows:
(1) The carrying amount of policy reserve-matching bonds is ¥23,508,816 million and the fair value is ¥24,927,941 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 subcategory 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 ¥62,596 million.
5. Total amount of monetary assets to related parties is ¥341 million and total amount of monetary liabilities to related parties is ¥92,456 million.
6. The following shows changes in the reserve for policyholders' dividends.

(Millions of yen)

Balance at the beginning of the current fiscal year	2,511,441
Dividends to policyholders paid during the year	430,448
Increase due to interest accrued during the year	9,008
Decrease due to purchasing additional benefit contracts	481
Provision for reserve for policyholders' dividends	307,427
Balance at the end of the current fiscal year	2,396,947

7. In accordance with Article 259 of the Insurance Business Act, the estimated amounts of future contributions to the Life Insurance Policyholders Protection Corporation of Japan are estimated to be ¥14,672 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 agreements undertaken by the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, amounted to ¥64,325,970 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 ¥2,514,762 million and a reserve for price fluctuations of ¥480,865 million for these reinsurance agreements.
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 fiscal year.

Notes to Statements of Income

1. Expenses of transactions with related parties amounted to ¥11,093 million.
2. Gains on sales of securities consisted of ¥60,344 million on sales of Japanese government bonds and other bonds.
3. Losses on sales of securities consisted of ¥19,665 million on sales of Japanese government bonds and other bonds.
4. Losses on money held in trust include impairment losses of ¥3,893 million.
5. Insurance premiums include premiums of ¥2,685,558 million for accepted reinsurance paid by the Management Organization for Postal Savings and Postal Life Insurance in accordance with a reinsurance agreement with Japan Post Insurance.
6. Insurance claims include an insurance payment of ¥10,165,661 million to the Management Organization for Postal Savings and Postal Life Insurance under the reinsurance agreement with Japan Post Insurance.
7. Under the reinsurance agreement with the Management Organization for Postal Savings and Postal Life Insurance, Japan Post Insurance recorded ¥281,642 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 15, 2012	Common stock	16,933	846.68	March 31, 2012	May 16, 2012

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	724,181
Cash and cash equivalents	724,181

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, Japan Post Insurance 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. Japan Post Insurance is also strengthening the risk management system. On the other hand, from the point of view of increasing profitability, Japan Post Insurance 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.

Japan Post Insurance 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 are 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 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, which 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 concentration, Japan Post Insurance 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 if different factors are used as assumptions are made.

2. Fair values of financial instruments

Carrying amount, fair value and differences between carrying amount and fair value as of March 31, 2013 are as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
Cash and deposits:	724,181	724,181	—
Available-for-sale-securities (negotiable certificates of deposits)	366,100	366,100	—
Receivables under securities borrowing transactions:	2,331,286	2,331,286	—
Monetary claims bought:	427,417	427,417	—
Available-for-sale securities	427,417	427,417	—
Money held in trust:	256,832	256,832	—
Monetary trusts other than trading, held-to-maturity and policy reserve-matching purpose	256,832	256,832	—
Securities:	72,417,197	77,479,501	5,062,304
Held-to-maturity bonds	43,282,092	46,925,271	3,643,179
Policy reserve-matching bonds	23,508,816	24,927,941	1,419,124
Available-for-sale securities	5,626,288	5,626,288	—
Loans (*1):	12,691,471	13,753,202	1,061,730
Policy loans	35,924	35,924	—
Industrial and commercial loans	676,709	718,395	41,686
Loans to Management Organization for Postal Savings and Postal Life Insurance	11,978,837	12,998,882	1,020,044
Total assets	88,848,386	94,972,421	6,124,034
Payables under securities lending transactions	3,114,558	3,114,558	—
Total liabilities	3,114,558	3,114,558	—
Derivative transactions (*2)	[5,179]	[5,179]	—
Hedge accounting not applied	—	—	—
Hedge accounting applied	[5,179]	[5,179]	—
Total derivative transactions	[5,179]	[5,179]	—

(*1) Excluding allowance for doubtful accounts

(*2) Assets/liabilities from derivative transactions are presented on a net basis. Figures in [ ] are net liabilities.

(Note 1) Notes to methods for calculating fair values of financial instrument 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 (less than 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 (less than 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 price at the end of the fiscal year (in the case of shares, the average market price over the past one month).

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 price 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, 2013 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 in 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

- Regarding forward exchange rates, fair value is based on a futures quotation at the end of the fiscal year.
- 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	366,100	—	—	—	—	—
Receivables under securities borrowing transactions	2,331,286	—	—	—	—	—
Monetary claims bought	407,000	—	—	—	—	19,100
Securities	6,746,399	11,793,345	14,184,001	6,278,982	7,094,943	25,570,928
Held-to-maturity bonds	1,568,567	6,495,860	6,229,055	3,920,100	4,239,688	20,446,710
Policy-reserve-matching bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Available-for-sale securities with maturities	1,248,945	1,156,670	1,235,698	618,409	656,088	498,218
Loans	2,593,623	1,991,824	1,818,819	1,569,672	1,977,343	2,739,629
Total assets	12,444,410	13,785,170	16,002,820	7,848,655	9,072,286	28,329,658

(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	3,114,558	—	—	—	—	—
Total liabilities	3,114,558	—	—	—	—	—

Securities

1. Trading securities (As of March 31, 2013):
   None
2. Held-to-maturity bonds (As of March 31, 2013):

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount	Corporate and government bonds	43,175,692	46,814,680	3,638,987
	Japanese government bonds	33,705,976	36,741,696	3,035,720
	Japanese local government bonds	6,767,815	7,204,727	436,911
	Corporate bonds	2,701,900	2,868,256	166,355
	Foreign securities	98,000	102,194	4,194
	Others	—	—	—
	Subtotal	43,273,692	46,916,874	3,643,182
Items with fair value not exceeding carrying amount	Corporate and government bonds	8,400	8,396	(3)
	Japanese government bonds	—	—	—
	Japanese local government bonds	7,300	7,299	(0)
	Corporate bonds	1,100	1,097	(2)
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	8,400	8,396	(3)
Total		43,282,092	46,925,271	3,643,179

3. Policy-reserve-matching bonds (As of March 31, 2013):

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount	Corporate and government bonds	23,508,816	24,927,941	1,419,124
	Japanese government bonds	21,889,807	23,269,193	1,379,385
	Japanese local government bonds	1,217,564	1,249,443	31,878
	Corporate bonds	401,444	409,304	7,860
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	23,508,816	24,927,941	1,419,124
Items with fair value not exceeding carrying amount	Corporate and government bonds	—	—	—
	Japanese government bonds	—	—	—
	Japanese local government bonds	—	—	—
	Corporate bonds	—	—	—
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	—	—	—
Total		23,508,816	24,927,941	1,419,124

4. Investments in subsidiaries and affiliates (As of March 31, 2013):
None

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

(Millions of yen)

	Carrying 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, 2013):

(Millions of yen)

	Type	Acquisition cost	Carrying amount	Difference
Items with carrying amount exceeding acquisition cost	Stocks	—	—	—
	Corporate and government bonds	4,632,899	4,749,884	116,985
	Japanese government bonds	874,810	876,825	2,015
	Japanese local government bonds	672,223	675,504	3,280
	Corporate bonds	3,085,865	3,197,554	111,688
	Foreign securities	545,952	618,003	72,051
	Others	19,100	20,421	1,321
	Subtotal	5,197,951	5,388,309	190,358
Items with carrying amount not exceeding acquisition cost	Stocks	—	—	—
	Corporate and government bonds	220,562	212,154	(8,408)
	Japanese government bonds	—	—	—
	Japanese local government bonds	30,335	30,312	(22)
	Corporate bonds	190,226	181,841	(8,385)
	Foreign securities	46,592	46,246	(346)
	Others	773,096	773,096	—
	Subtotal	1,040,251	1,031,496	(8,754)
Total		6,238,202	6,419,806	181,603

Note: "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, 2012 to March 31, 2013):
None

7. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2012 to March 31, 2013):

(Millions of yen)

	Proceeds from sales	Total profits on sales	Total losses on sales
Corporate and government bonds	2,060,482	60,319	—
Japanese government bonds	1,670,332	50,287	—
Japanese local government bonds	261,591	6,809	—
Corporate bonds	128,559	3,223	—
Total	2,060,482	60,319	—

8. Available-for-sale securities sold during the fiscal year (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Proceeds from sales	Total profits on sales	Total losses on sales
Corporate and government bonds	46,568	25	19,665
Corporate bonds	46,568	25	19,665
Total	46,568	25	19,665

Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2013):
None
2. Money held in trust classified as held-to-maturity and policy-reserve-matching (As of March 31, 2013):
None
3. Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching (As of March 31, 2013):

(Millions of yen)

	Acquisition cost	Carrying amount	Difference	Amount of the excess of carrying amount over acquisition cost	Amount of the excess of acquisition cost over carrying amount
Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching	213,515	256,832	43,317	48,265	4,947

Note: Impairment losses on money held in trust classified as other than trading, held-to-maturity and policy reserve-matching amounted to ¥3,893 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 funds the plan with lump-sum payments.
2. Liability for employees' retirement benefits

(Millions of yen)

	As of March 31, 2013
Projected benefit obligations	(54,446)
Unfunded benefit obligations	(54,446)
Unrecognized actuarial differences	(3,884)
Net amount recognized on the non-consolidated balance sheet	(58,331)
Reserve for employees' retirement benefits	(58,331)

3. Net periodic benefit cost

(Millions of yen)

	For the year ended March 31, 2013
Service cost	3,181
Interest cost	914
Amortization of unrecognized actuarial differences	(240)
Net periodic benefit cost	3,855

4. Assumptions

	As of March 31, 2013
Method of periodic allocation of benefit obligations	Straight-line method
Discount rate	1.7%
Amortization period for actuarial differences	14 years

Deferred Tax Assets and Liabilities

Significant components of deferred tax assets and liabilities of Japan Post Insurance as of March 31, 2013 are summarized below:

(Millions of yen)

Deferred tax assets:	
Policy reserves	375,640
Reserve for outstanding claims	53,247
Reserve for price fluctuations	71,826
Reserve for employees' retirement benefits	18,166
Net unrealized gains (losses) available-for-sale securities	4,200
Others	15,479
Subtotal	538,561
Valuation allowance	(3,003)
Total deferred tax assets	535,557
Deferred tax liabilities:	
Net unrealized gains (losses) available-for-sale securities	(73,343)
Others	(700)
Total deferred tax liabilities	(74,044)

Per Share Information

(Yen)

	For the year ended March 31, 2013
Net assets per share	73,238.56
Net income per share	4,550.02

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

Subsequent Events

None