

# 2014

**JAPAN POST GROUP Annual Report**

Year ended March 31, 2014



## Japan Post Group Management Philosophy

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Stressing the security and confidence of the Japan Post Group network, the Group, as a private corporation, is demonstrating creativity and efficiency to the greatest extent possible and will provide customer-oriented services, support the lives of customers

in local communities and aim for the happiness of customers and employees. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

## Group Management Policy

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1. We will duly consider our customers' lives, exercise our creativity and provide through our nationwide network a selection of products and services needed by customers in every stage of their lives.
2. We will establish effective corporate governance and compliance programs, including internal audits and internal controls.
3. We will maintain the transparency of the Group's operations through the timely and proper disclosure of information, the appropriate use of intra-group transactions and other activities.
4. Japan Post Holdings Co., Ltd., a holding company, is raising its corporate value and making preparations for the quick disposal of its shares. Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. are also aiming for the quick disposal of their shares.
5. We will create opportunities for all employees, business partners and the community to mutually cooperate and for each and every employee to grow.

## Japan Post Group Charter of Corporate Conduct

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- (1) Earn the trust of customers
  - We earn the trust of customers by adopting their perspective and meeting their expectations.
  - We protect and manage information strictly so that customers can use our services with peace of mind.
  - We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.
- (2) Observe ethical standards
  - We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
  - We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
  - We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.
- (3) Place priority on coexistence
  - We actively promote environmental conservation and make a significant contribution to society through business activities.
  - We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
  - We respect human rights and provide safe and pleasant workplaces.
- (4) Create value
  - We will create new convenience for customers and provide them with high-quality services.
  - We will create stable value by providing universal services in our three core businesses through the Japan Post Group network.
  - We will utilize teamwork and create corporate value for the Japan Post Group by promoting mutual understanding and cooperation among employees and encouraging each and every employee to fulfill their roles and responsibilities.
- (5) Be a source of change
  - We will apply technological innovation and continually make innovative changes internally to provide stable services to our customers.
  - We exercise our creativity from a broad viewpoint and lofty perspective to promote the Group's development.
  - We aggressively take on the challenge of conducting global business activities.

# Message from the President



I am pleased to present the *Japan Post Group's Annual Report* for the year ended March 31, 2014.

The Japan Post Group's mission is to ensure that even more customers can confidently use our postal, banking and insurance products and services, representing our three core businesses that we operate through our nationwide post office network.

In February 2014, we announced specific initiatives for fulfilling this mission by unveiling our "New Japan Post Group Network Creation Plan 2016", as the Japan Post Group's medium-term business plan. Under this plan for the medium term, we have set the target of becoming "an integrated lifestyle-support corporate group" that will provide a variety of related products and services through our post offices. In this way, we intend to be closely involved in the overall daily lives of our customers, while continuously serving local communities and society as a whole.

Going forward, the Group will work in unison to implement a variety of challenging measures for becoming an integrated lifestyle-support corporate group, and we would be grateful for your continued patronage as we proceed with these initiatives.

This Annual Report for the year ended March 31, 2014 summarizes the Japan Post Group's business conditions and results, which I sincerely hope will give you a deeper understanding of the Japan Post Group.

## **Review of the Year Ended March 31, 2014**

During fiscal 2014, the Japan Post Group worked to enhance its products and services, centering on our three core businesses of postal, banking and insurance services. In this regard, we strove to provide products and services that make the most of our post office network. This included forming business alliances with other companies in various fields, such as sales of cancer insurance products, and a trial implementation of our community-based "Post Office Watch Service."

In our postal and logistics business, amid the ongoing trend toward decreasing mail volumes, we promoted the use of small and medium-sized Yu-Pack and Yu-Mail products that are now being used by large numbers of customers. Additionally, we implemented new initiatives in response to an evolving business environment, which included a trial implementation of "Cool EMS" service to meet the rising demand for fresh Japanese foods in the Asian region.

Japan Post Bank (Yucho) worked to create an environment enabling more customers to use its banking

services conveniently. These efforts included holding individual consultation meetings and Life Plan Seminars during evening hours and on holidays to respond to the needs of our customers unable to use banking services during weekdays because of their jobs. Furthermore, Japan Post Bank strengthened security measures to enable customers to use its "JAPAN POST BANK Direct" internet banking services with greater safety.

As a key initiative to ensure reliable benefit payments, Japan Post Insurance (Kanpo) implemented a program to verify with policyholders the details of their insurance coverage and to confirm they received all their entitled insurance benefits. Japan Post Insurance also initiated a gift program for customers who request insurance proposals or policy summaries. Thanks to strong customer support, the volume of new policies secured during the year surpassed that of the previous year.

In the real estate business, the KITTE commercial complex in front of Tokyo Station attracted approximately 23 million people during its first year of operation, far exceeding initial forecasts. For real estate currently under development, we are examining ideas for developing facilities that can be used by even greater numbers of people.

Thanks to the increased number of customers using of our various products and services, the Japan Post Group recorded net ordinary income of ¥1,103.6 billion and net income of ¥479.0 billion on a consolidated basis.

### **Priority Issues for the Year Ending March 31, 2015**

The year ending March 31, 2015 marks the first year of the Japan Post Group's medium-term business plan. Under this plan, the Group will carry out a variety of initiatives in accordance with the three pillars of our corporate strategy that will serve as our guiding policies during the three-year period of the plan.

The first pillar is to bolster the earning power of our three core businesses and to strengthen the Group's business foundations.

Through effective use of our post office network to provide our core postal, banking and insurance services, as well as financial trusts, merchandise sales and real estate business, we aim to boost the earning power of each business line, while strengthening the foundations of our operations. We intend to further enhance our earning power by providing products and services that meet customer needs. These include a new educational endowment insurance product provided by Japan Post Insurance called "*Hajime no Kanpo*" launched in April 2014.

The second pillar is to fulfill our obligation of providing universal services.

We will steadily provide universal postal and financial services, while seeking to use our post office brand to develop our local community-based daily life support services. As a corporate group dedicated to public welfare and interest, we will certainly continue to provide the community-based services, including collaboration with local governments, as well as our *Furusato* hometown parcel service.

The third pillar is to enhance our corporate value in anticipation of the Group's public listing.

In preparation for a stock market listing in the near future, we aim to enhance the Group's corporate value by continuing to establish the corporate structure required of a listed company, as well as to create valuable networks indispensable to our customers. Toward that end, we will enhance areas such as capital investments which are essential for the Group's perpetual development, while promoting such initiatives as expanding the range of our financial products in collaboration with other institutions, as well as broadening our own product lines.

Preparations for the disposal of Japan Post Holdings' stock are proceeding now that a basic position on the listing has been clarified by a report issued by the government's Fiscal System Council.

By implementing the measures described here, the Japan Post Group aims to become an integrated lifestyle-support corporate group through the creation of a new postal network by growing and developing each of our businesses, beginning with the three core businesses, and expanding and advancing our post office network. The Japan Post Group companies will work in unison to tackle various challenges, so that we can meet the expectations of our stakeholders. In closing, I ask for your continued patronage and support for the Japan Post Group as we move ahead with our endeavors.

July 2014



**Taizo Nishimuro**

President & CEO

Japan Post Holdings Co., Ltd.

# 2014 JAPAN POST GROUP Annual Report

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

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

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

Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2014.





# Japan Post Group Overview

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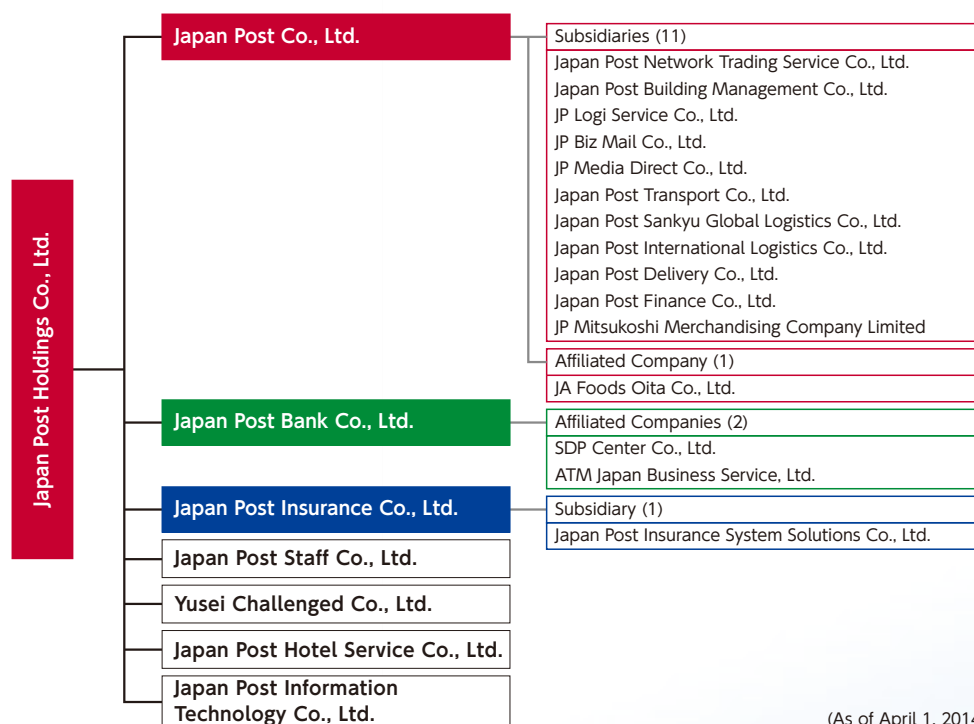
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# 1. The Operations of the Japan Post Group

## 1. Japan Post Group Structure



## 2. Nationwide Post Office Network

With 24,511 locations, our network of post offices covers all of Japan's 1,741 cities, towns, and villages\*. These post offices, which serve as bases for various postal, banking, and insurance services that are offered by the Japan Post Group, have been an integral part of local communities for many years, and the Japanese public has come to greatly appreciate this extensive network.

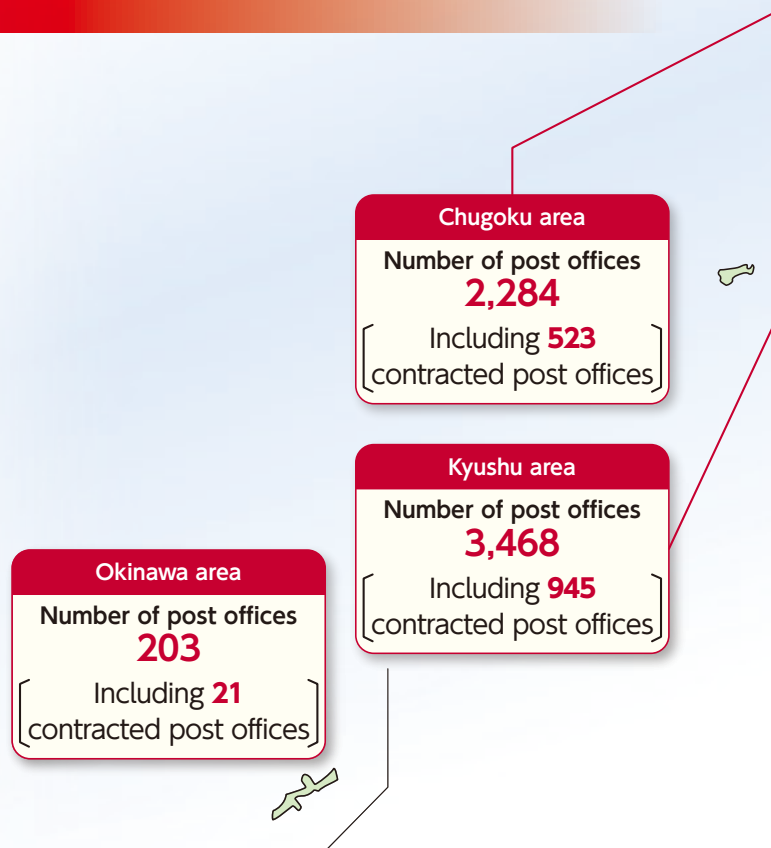
The Group looks forward to taking advantage of these post offices to provide convenient new services to residents of the communities we serve while ensuring their ability to access postal, banking, and insurance services in a unified manner throughout Japan.

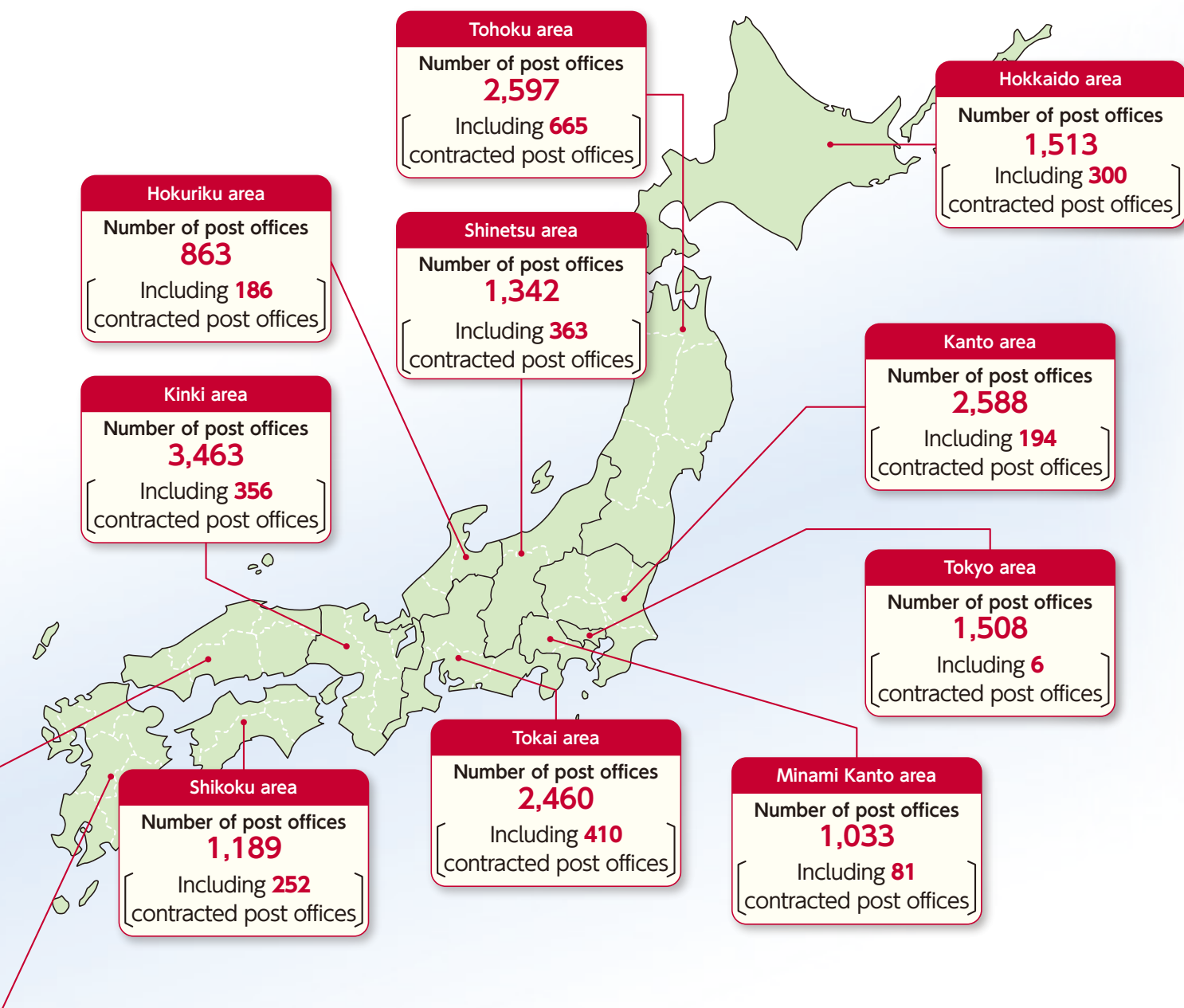
\*Includes Tokyo's 23 special wards (as of April 5, 2014).

### ■ Post Offices in Japan (As of March 31, 2014)

Directly operated post offices (including branch offices)	20,209
Contracted post offices	4,302
<b>Total</b>	<b>24,511</b>

Note: Includes 66 directly operated post offices and 221 contracted post offices that are temporarily closed.





## ■ Initiatives for Maintaining the Post Office Network

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

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

### ● Initiatives for Resuming Operations at Temporarily Closed Contracted Post Offices

Since March 2008, support measures for contracted operators have been implemented, including an increase in handling commission fees paid to contractors and the implementation of a system for subleasing of facilities. As a result of these measures, the number of temporarily closed contracted post offices, which stood at 417 at the time of privatization, decreased to 221 as of March 31, 2014 (15 of which are due to the earthquake disaster).

● **Provide Provisional Services for Temporarily Closed Contracted Post Offices**  
In areas where the operations of temporarily closed post offices are unlikely to be resumed soon, we are providing the following provisional services.

○ **Visiting Services Provided by Personnel from Directly Operated Post Offices**  
We are providing visiting services by personnel from directly operated post offices to rural areas to provide services at a public facility or other location (twice a week, a half-day each). Among the areas where contracted post offices have been temporarily closed, these services were being provided at 43 locations as of March 31, 2014.

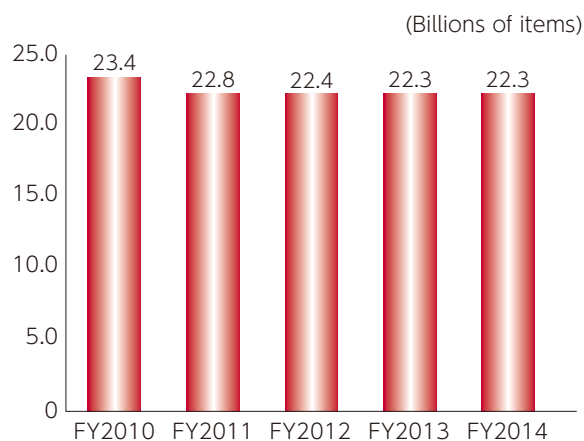
### ○ Services Provided by Mobile Post Offices

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

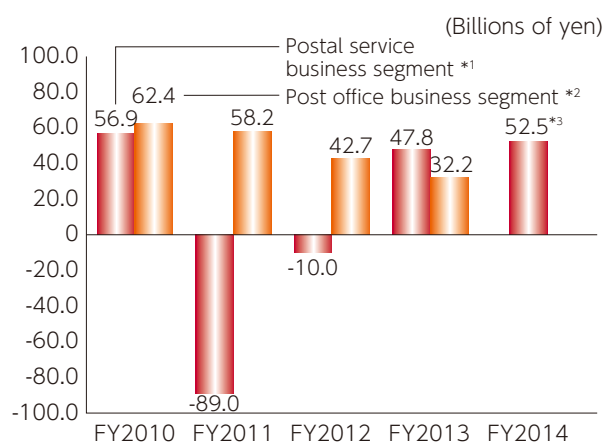
### 3. Business Volume and Profits of Group Companies

#### Japan Post Co., Ltd.

##### Total consigned volume of mail



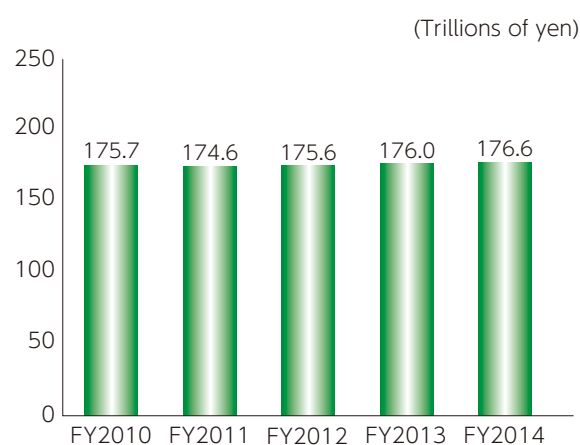
##### Net ordinary income



Notes: 1. The figures for Japan Post Service Co., Ltd. prior to the merger and for the postal service business segment after the merger are listed.  
 2. The figures for Japan Post Network Co., Ltd. prior to the merger and for the post office business segment after the merger are listed.  
 3. The figures for Japan Post Co., Ltd. are listed.

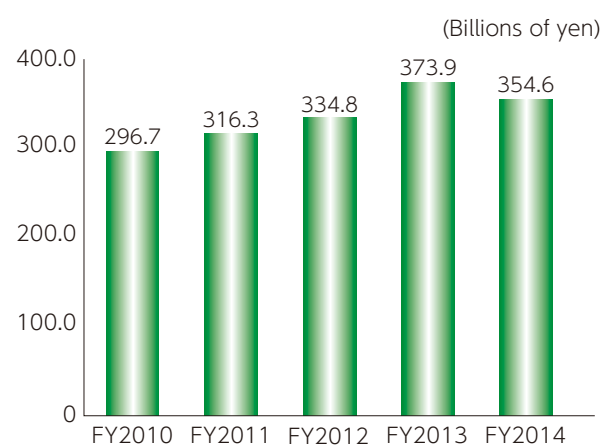
#### Japan Post Bank Co., Ltd.

##### Deposits



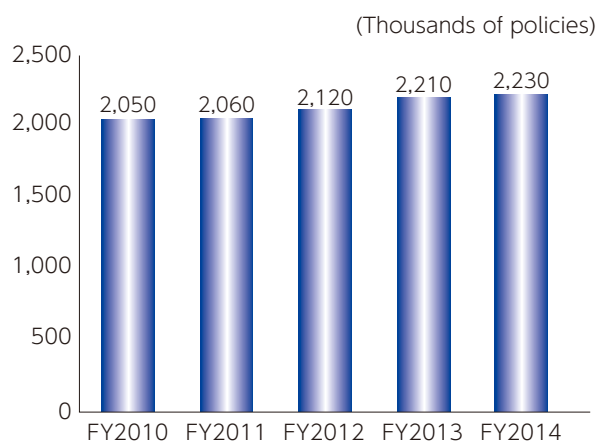
Note: Accrued interest is not included herein.

##### Net income

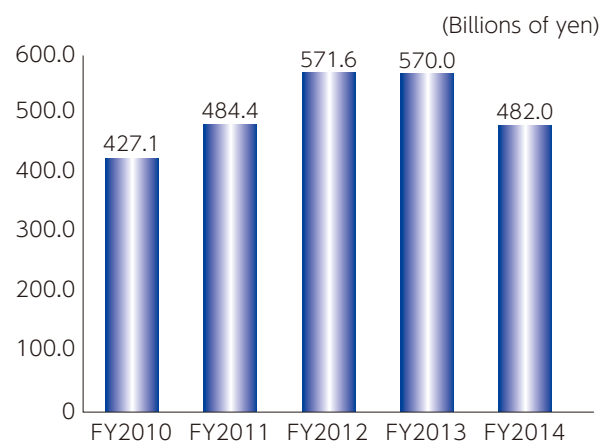


#### Japan Post Insurance Co., Ltd.

##### Number of new policies (individual insurance)



##### Core profit



## 4. Group Companies Data

(As of March 31, 2014)

### Japan Post Holdings Co., Ltd.



Company name: JAPAN POST HOLDINGS Co., Ltd. (URL: <http://www.japanpost.jp/>)  
 Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan  
 Telephone: 03-3504-4411 (Japan Post Group main number)  
 Paid-in capital: ¥3,500 billion  
 Date of establishment: January 23, 2006  
 Legal basis: Established under the Japan Post Holdings Co., Ltd. Act (Law No. 98 of October 21, 2005)  
 Lines of business: Management of Group companies  
 Principal business locations: Health Management Administration Center (1), Health Management Offices (49), Facility Management Centers (7), Japan Post Teishin Hospitals (14), Hotels (71), Postal College (1), Kumamoto Administration Office (1)

#### ■ Information on Shares

1. Number of Shares  
Total shares issued: 150,000,000  
Number of shareholders as of March 31, 2014: One
2. Shareholder

Minister of Finance	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

#### ■ Number of Employees: 3,098\*

\* The number of employees excludes employees assigned to other companies by Japan Post Holdings Co., Ltd. but includes employees assigned to Japan Post Holdings Co., Ltd. by other companies. The figures do not include part-time employees.

### Japan Post Co., Ltd.



Company name: JAPAN POST Co., Ltd. (URL: <http://www.post.japanpost.jp/>)  
 Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan  
 Telephone: 03-3504-4411 (Japan Post Group main number)  
 Paid-in capital: ¥100 billion  
 Date of establishment: October 1, 2007  
 Legal basis: Established under the Japan Post Co., Ltd. Act (Law No. 100 of October 21, 2005)  
 Lines of business: Postal operations; banking counter operations; insurance counter operations; sales of documentary stamps; operations consigned by local government entities; bank and life and non-life insurance agency services other than those mentioned previously; domestic distribution and delivery business and international cargo transport and agency services for air cargo business; logistics business; real estate business; and merchandise sales  
 Principal business locations: Regional Offices (13), Post Offices (24,511), Training Institutes (10), Customer Service Center (1), Logistics Center (4), International Quality Control and Accounting Center (1), Postal Items Verification Center (1), Postal Accounting Center (1), Payment Center (1), Yu-Pack Accounting Center (1), Employee Compensation and Welfare Center (1), Tokyo Logistics Center (1)

\*Number of post offices includes 4,302 contracted post offices.

#### ■ Information on Shares

1. Number of Shares  
Total shares issued: 4,000,000
2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	4,000,000	100%

#### ■ Number of Employees: 194,688\*

\* The number of employees excludes employees assigned to other companies by Japan Post Co., Ltd. but includes employees assigned to Japan Post Co., Ltd. by other companies. The figures do not include part-time employees.

### Japan Post Bank Co., Ltd.



Company name: JAPAN POST BANK Co., Ltd. (URL: <http://www.jp-bank.japanpost.jp/>)  
 Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan  
 Telephone: 03-3504-4411 (Japan Post Group main number)  
 Paid-in capital: ¥3,500 billion  
 Date of establishment: September 1, 2006 (On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)  
 Lines of business: Banking  
 Principal business locations: Regional Headquarters (13), Branches (234), Administration Service Centers (49), Operation Support Centers (11), Seal Card Management Center (1), Data Centers (2), Credit Card Collection Service Center (1), Overseas Representative Offices (2)  
 Financial institution code number: 9900

#### ■ Information on Shares

1. Number of Shares  
Total shares issued: 150,000,000
2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

#### ■ Number of Employees: 12,963\*

\* The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include short-term contract and part-time employees.

### Japan Post Insurance Co., Ltd.



Company name: JAPAN POST INSURANCE Co., Ltd. (URL: <http://www.jp-life.japanpost.jp/>)  
 Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan  
 Telephone: 03-3504-4411 (Japan Post Group main number)  
 Paid-in capital: ¥500 billion  
 Date of establishment: September 1, 2006 (On October 1, 2007, the name was changed from Kanpo Co., Ltd. to Japan Post Insurance Co., Ltd.)  
 Lines of business: Life insurance  
 Principal business locations: Regional Headquarters (13), Branches (79), Service Centers (5)

#### ■ Information on Shares

1. Number of Shares  
Total shares issued: 20,000,000
2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	20,000,000	100%

#### ■ Number of Employees: 6,948\*

\* The number of employees excludes employees assigned to other companies by Japan Post Insurance Co., Ltd. but includes employees assigned to Japan Post Insurance Co., Ltd. by other companies. The figures do not include short-term contract and part-time employees.

## 2. Japan Post Group Highlights in Fiscal 2014

2013

April

May

June



Sales of original stationery items with "postal service" theme (4.1)



Sales of the fifth series of Regional *Gotochi* Form Cards (4.15)



Sales of Kamo-Mail (5.30 to 8.23)



Sales of *Doraemon* Letter Sets (6.4 to 3.31)

© Fujiko Pro Co., Ltd., Shogakukan Inc., TV Asahi Corporation, SHIN-EI ANIMATION Co., Ltd. and Asatsu-DK Inc.



Sales of *Posukuma* stuffed bear (6.4)



### ■ 4.1

#### Sales of six original stationery items with "postal service" theme

Sold six stationery items, including a letter pad featuring a warm illustration of a pillar post box.

### ■ 4.1

#### Renewal of JAPAN POST BANK *Tokimeki Club* service

We converted our JAPAN POST BANK *Tokimeki Club* service into a members only service for customers automatically receiving benefit payments from public pensions through Japan Post Bank.

### ■ 4.1

#### Trial implementation of "Cool EMS"

According to the basic agreement reached on January 29, 2013, Japan Airlines Co., Ltd. and Japan Post launched on a trial basis a delivery service for small, temperature-sensitive parcels by way of EMS ("Cool EMS") for addresses in Taiwan and Singapore.

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### ■ 4.1

#### Opened "Yubin Portal" website.

Opened *Yubin Portal* members only website and started providing online services that allow users to request redelivery or parcel pickup by using *Yubin* IDs.

### ■ 4.15

#### Sales of the fifth series of Regional *Gotochi* Form Cards

Released a new series of *Gotochi* Form Cards featuring a total of 47 illustrations of tourist spots, events and products representative of each region, including "Tokyo/Tokyo Station Marunouchi Building."

### ■ 4.27

#### Held a signing ceremony for a partnership agreement between Okinawa Prefecture and the Japan Post Group.

Signed a partnership and cooperation agreement with Okinawa Prefecture for an expansion of sales channels of Okinawa's specialty products and promotion of its culture and tourism industry.

### ■ 5.30

#### Business alliance between Benesse Corporation and Japan Post

Concluded a business alliance agreement with Benesse Corporation with the aim of promoting the culture of letter writing and intergenerational communication.

### ■ 5.30 to 8.23

#### Sales of Kamo-Mail

Sold Kamo-Mail summer 2013 greeting postcards available in three types: one plain and two illustrated.

### ■ 6.1

#### Start of postal services at Lawson Store 100

Installed post boxes at Lawson Store 100 premises nationwide and started Yu-Pack and postal services in stores.

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### ■ 6.3 to 8.30

#### Held a purchase commission cashback campaign for JAPAN POST BANK Investment Trust WEB Premier service.

The cashback campaign was held for fee-paying members of our members only Internet investment trust service, JAPAN POST BANK Investment Trust WEB Premier.

### ■ 6.4

#### Sales of *Posukuma* goods stuffed toy

Sold *Posukuma* stuffed bear (L size), a character originally from a greeting stamp, at 162 post offices nationwide.

### ■ 6.4 to 3.31

#### Sales of *Doraemon* Letter Sets

Sold *Doraemon* Letter Sets, each including letter sheets, stickers and a plastic folder featuring characters from the popular animation film *Doraemon*, as well as envelopes resembling the shape of the Anywhere Door, one of *Doraemon's* gadgets.

### ■ 6.10

#### Started accepting advance applications for opening Nippon Individual Savings Account (NISA) accounts.

Prior to the January 2014 introduction of a new tax exemption scheme, NISA (Nippon Individual Saving Account), we started accepting applications for opening NISA accounts and held a campaign to give away QUO cards to those who have applied for the service.



# July

# August

# September



Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (7.28)

Total number of visitors to JP Tower's KITTE commercial complex exceeds 10 million (8.23)



Business alliance with Aflac (7.26)



Radio Exercise session at elementary schools (Toyama City) (9.5 to 11.25)

Poster of the 37th JAPAN U-12 FOOTBALL CHAMPIONSHIP (7.28 to 8.3)



## ■ 7.4

### Sales of a new series of original frame stamps featuring Mount Fuji

Sold a new series of original frame stamps commemorating the designation of Mount Fuji as a UNESCO World Heritage site.

## ■ 7.23 to 3.31

### Event for supporting the recovery of the Tohoku region held jointly by The Pokémon Company and Japan Post

Jointly with "POKÉMON with YOU" support activities for disaster areas, we held an event to link children living in disaster-affected areas in the Tohoku region and children elsewhere in Japan via letters.

## ■ 7.26

### Business alliance with Aflac

Japan Post Holdings and American Family Life Assurance Company of Columbus (Aflac) reached a basic agreement concerning the formation of a business alliance.

## ■ 7.28

### Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

Held the 52nd Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") in Akita City, Akita Prefecture.

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## ■ 7.28 to 8.3

### Support for the 37th JAPAN U-12 FOOTBALL CHAMPIONSHIP

To foster children's sound physical and mental growth and development through football, we provided support to the 37th JAPAN Under-12 FOOTBALL CHAMPIONSHIP. The national tournament was held at Gotemba Kogen Toki no Sumika in Shizuoka Prefecture from July 28 to August 3.

## ■ 8.5

### Expanded lineup of investment trust products.

Started sales of risk-controlled funds and single country funds and expanded sales channels for some products.

## ■ 8.19

### JAPAN POST BANK Direct protected by PhishWall Premium

Our Internet banking service, JAPAN POST BANK Direct, is now protected by PhishWall Premium, a browser security software program designed to counter MITB\* attacks. \* Man-in-the browser: A security attack that infects a victim's computer, showing the victim a fake screen and steals personal identification number and password to gain illegal access

## ■ 8.23

### Total number of visitors to JP Tower's KITTE commercial complex exceeds 10 million

On the 156th day from its opening on March 21, 2013, the total number of visitors to JP Tower's KITTE commercial complex exceeded 10 million.

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## ■ 9.1

### Concluded an agreement on the formation of a regional information network at the time of disaster.

The Japan FM Network Association and Japan Post concluded an agreement on the formation of a regional information network upon the occurrence of a disaster.

## ■ 9.5 to 11.25

### Held Radio Exercise sessions at elementary schools.

Held Radio Exercise sessions at 14 elementary schools nationwide.

## ■ 9.6

### Established a local corporation in Shanghai, China.

After receiving approval for the establishment of a new company (operating license) from the Shanghai City authorities, Japan Post established Japan Post International Logistics Co., Ltd. in Shanghai, China.

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## ■ 9.11 to 12.30

### Conducted new NISA campaign.

Newly conducted campaign targeting users opening NISA accounts and provided book coupons as a giveaway.

2013

October

November

December



Ceremony to announce the establishment of the Japan Post Group Women's Athletics Team (10.1)



Start of offering condolence cards (10.1)



Sales of New Year's postcards (11.1 to 1.10)



Sales of *Otoshidama* KitKat (11.1 to 1.10)



JAPAN POST BANK Piggy Bank Design Contest (12.5)



Participation in Eco-Products 2013 (12.12 to 12.14)

#### ■ 10.1 .....○

##### **Held a ceremony to announce the establishment of the Japan Post Group Women's Athletics Team.**

We held a ceremony to announce the establishment of the Japan Post Group Women's Athletics Team at JP Tower. (The team was established on April 1, 2014.)

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#### ■ 10.1 .....●

##### **Launched delivery time-specified mail.**

Started providing delivery time-specified mail service, which allows the sender to specify delivery time.

[Go to P.28](#)

#### ■ 10.1 .....●

##### **Trial implementation of Post Office Watch Service**

Started this watch service on a trial basis within six areas across Japan.

[Go to P.28](#)

#### ■ 10.1 .....●

##### **Started offering condolence cards and items to be sent with condolence message.**

Started offering three condolence items: a series of condolence cards and two types of gifts to be sent with a condolence message.

[Go to P.28](#)

#### ■ 10.1 .....●

##### **Expanded the number of post offices handling financial products.**

Among the existing line of financial products sold at post offices, we increased the number of post offices handling variable annuities, cancer insurance, life insurance for companies (for management-level personnel) and auto insurance.

#### ■ 11.1 to 1.10 .....●

##### **Sales of New Year's postcards**

Sold 2014 New Year's postcards.

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#### ■ 11.1 to 1.10 .....●

##### **Sales of In print New Year's lottery postcards, *Otoshidama* KitKat with *Otoshidama* envelope and other items**

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

#### ■ 12.4 to 3.31 .....●

##### **Sales of *Kit Mail***

Sold the 2014 version of *Kit Mail* (with KitKat paper Dharma doll), a product jointly developed with Nestlé Japan Ltd.

#### ■ 12.5 .....●

##### **Announced the prizewinners for JAPAN POST BANK Piggy Bank Design Contest.**

Conducted the final judging and announced the prizewinners for the 38th JAPAN POST BANK Piggy Bank Design Contest. Also donated about ¥8.12 million (¥10 for every piggy bank entry received) to the Japan Committee for UNICEF and Japan International Cooperation Agency (JICA).

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#### ■ 12.12 to 12.14 .....○

##### **Participation in Eco-Products 2013**

The Japan Post Group participated in Eco-Products 2013, the largest environmental exhibition in Japan.

[Go to P.80](#)



# 2014 January

# February

# March



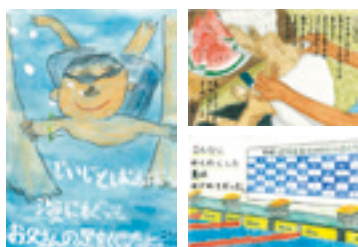
Delivery of New Year's postcards (1.1)



Opening of Kanpo Healthy Café (1.23 to 1.26)



Held "Kanpo Kids Smile World" 2013. (3.9, 15 and 21)



Postcards that won a Minister of Education, Culture, Sports, Science and Technology Award (1.23)



Held "THANKS KITTE" event. (3.21 to 4.6)



Special support for Competition of Junior Honinbo for the Japan Post Bank Cup (3.26 to 3.27)

- 1.1 Delivery of New Year's postcards  
Delivered 1,829 million New Year's postcards nationwide on January 1, 2014.

- 1.6 to 3.31 Started providing NISA account services.  
Started NISA account services. Also held a campaign to give away QUO cards to customers who purchased investment trust products through their NISA accounts.

- 1.6 Enhanced the security features of "JAPAN POST BANK Direct" (our online banking services).  
Started an additional authentication with a one-time password sent via e-mail.

- 1.19 Held a drawing for New Year's lottery postcards.  
Held a drawing for 2014 New Year's lottery postcards at the JP Tower Hall and Conference center and picked the winning numbers for the first to third prizes.

- 1.23 Announced the prizewinners for the Letter Writing Contest.  
Announced the prizewinners for the 46th Letter Writing Contest (held from June 3 to September 24, 2013).

- 1.23 to 1.26 Opening of Kanpo Healthy Café  
Japan Post Insurance held a recipe contest jointly with COOKPAD, a Japanese recipe website providing a collection of user-posted recipes, and provided the award-winning recipes on the food menu at the Kanpo Healthy Café, which opened for a limited period in Aoyama, Tokyo.

- 1.26 Held the National Presentation Contest for Communication by Postcard.  
Encouraged elementary schools that have participated in the letter writing workshop program to send in heart-warming postcards exchanged in their classrooms, and selected and announced 18 outstanding ones at this national contest.

- 2.1 Launched a service to provide area information to smartphones.  
In cooperation with Manazuru City, Kyoto, Japan Post and MEDIASEEK, inc. launched a service to provide area information to smartphones from post boxes by using QR Code.

- 2.1 Started providing evening life planning seminars and weekend individual consulting sessions at Japan Post Bank branches.  
For customers who do not have access to our services during business hours on weekdays, 17 Japan Post Bank branches nationwide started providing financial and life planning advice services through evening seminars and weekend individual consulting sessions.

- 2.3 "Life is Full of Dreams" new corporate advertising campaign  
Launched new nationwide corporate advertising campaign featuring young Japanese actress Rena Nonen.

- 2.3 Launched receipt of payment and fund transfer notice web inquiry service.  
Launched a service for users to view receipt of payment and fund transfer notices online, enabling them to quickly check payments made to and from their transfer accounts.

- 2.3 to 5.30 "Freshers Campaign"  
Held a "Freshers Campaign" at post offices and branches of Japan Post Bank nationwide.

- 2.26 Announcement of "Japan Post Group Medium-Term Management Plan — New Japan Post Group Network Creation Plan 2016"  
For the first time in its history, the Japan Post Group formulated and announced a medium-term management plan covering the period from fiscal 2015 to 2017.

- 3.1 Held the "Japan Post Insurance Public Talk on People's Health 2014."  
Held a public talk on promoting a healthy life in Kobe City, Hyogo Prefecture.

- 3.3 Issuance of new ordinary stamps and standard postcards with revised postage rates  
Issued new ordinary stamps and standard postcards following the revision to the postage rates on April 1, 2014.

- 3.3 Expanded the number of post offices handling cancer insurance.  
For Aflac's cancer insurance products already handled by post offices, we increased the number of post offices providing these products to 2,980 nationwide.

- 3.9, 15 and 21 Held "Kanpo Kids Smile World" 2013.  
Held a child care support event, including various fun programs enjoyed by both parents and children, in three prefectures (Iwate, Miyagi and Fukushima).

- 3.13 Announced the prizewinners for the All-Japan New Year's Postcard Contest.  
Announced the prizewinners for the 11th All-Japan New Year's Postcard Contest (held from October 15, 2013 to January 20, 2014).

- 3.21 to 4.6 Held "THANKS KITTE" event.  
JP Tower's KITTE commercial complex celebrated its 1st anniversary on March 21, 2014.

- 3.26 to 3.27 Special support for Competition of Junior Honinbo for the Japan Post Bank Cup  
To foster intergenerational communication and local revitalization, we provided special support to the Competition of Junior Honinbo, in which children of junior high school age or younger competed for the top position in Japan. At the national tournament held on March 26 and 27, 2014, participants fully demonstrated their Go skills.

### 3. History of the Japan Post Group

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

Year	Major Event
1977	Online postal life insurance service launched
1978	Online postal savings service launched
1980	Cash dispensers (CDs) for postal savings introduced
1981	Automatic teller machines (ATMs) for postal savings introduced Trial service for electronic postal mail launched
1983	<i>Furusato</i> parcel service launched
1986	Automatic insurance premiums transfer service launched
1988	Sales of Japanese Government Bonds etc. begun
1989	Issuance of regional stamps (later renamed <i>Furusato</i> stamps) and New Year's lottery stamps begun The passbook with remittance service launched
1991	Issuance of <i>Furusato</i> picture postcards and donation-added New Year's lottery stamps begun Foreign exchange service launched
1998	Seven-digit postal code system introduced
1999	ATM/CD alliance service with private-sector financial institutions launched <i>Minna no Taiso</i> ("Exercise for Everyone") program developed Sales of lotteries begun
2000	Mutual remittance services between post offices and private-sector financial institutions begun
2001	Postal Services Agency established
2002	Defined contribution pensions (individual annuities) service begun
2003	Japan Post established EXPACK500 standard-size parcel service launched
2005	Sales of investment trusts begun
2007	Japan Post Group established Agent sales of automobile insurance begun
2008	Issuance of JP BANK CARD begun Intermediary service for individual loans launched Agent sales of Variable Annuities Policies begun A new hospitalization rider, <i>Sono hi kara</i> , launched Agent sales of third-sector insurance begun Sales of life insurance for corporate clients (for management-level personnel) begun
2009	Online connection to the Zengin Data Telecommunication System (Zengin System) established
2010	Letter Pack service launched
2012	The "Act for Partial Revision of the Postal Service Privatization Act and others" went into effect, Japan Post Service and Japan Post Network merged, and Japan Post Co., Ltd. established Japan Post Group Vision 2021 announced
2013	Grand opening of JP Tower
2014	"Japan Post Group Medium-Term Management Plan—New Japan Post Group Network Creation Plan 2016" announced

# 4. Japan Post Group Financial Review

## 1

### Consolidated Summary (April 1, 2013 to March 31, 2014)

The Japan Post Group's consolidated net ordinary income was ¥1,103.6 billion and net income was ¥479.0 billion. At the end of the fiscal year, total assets amounted to ¥292,246.4 billion and net assets totaled ¥13,388.6 billion.

#### 1. Results of Operations (Year ended March 31, 2014)

	Japan Post Group	Japan Post Holdings	Japan Post	Japan Post Bank	Japan Post Insurance
Ordinary income	¥15,240.1 billion	¥276.3 billion	¥2,792.4 billion	¥2,076.3 billion	¥11,233.9 billion
Net ordinary income	¥1,103.6 billion	¥147.8 billion	¥52.5 billion	¥565.0 billion	¥463.5 billion
Net income	¥479.0 billion	¥155.0 billion	¥32.9 billion	¥354.6 billion	¥63.4 billion

(Reference: Year ended March 31, 2013)

Ordinary income	¥15,849.1 billion	¥268.7 billion	¥2,773.2 billion	¥2,125.8 billion	¥11,834.9 billion
Net ordinary income	¥1,225.0 billion	¥125.6 billion	¥80.1 billion	¥593.5 billion	¥529.3 billion
Net income	¥562.7 billion	¥145.2 billion	¥60.0 billion	¥373.9 billion	¥91.0 billion

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

The results of operations for the fiscal year ended March 31, 2014 for four principal companies are shown above. After adding the

results of operations of other subsidiaries and affiliated companies to consolidated operations, net income amounted to ¥479.0 billion.

#### 2. Financial Condition (Year ended March 31, 2014)

	Japan Post Group	Japan Post Holdings	Japan Post	Japan Post Bank	Japan Post Insurance
Total assets	¥292,246.4 billion	¥9,740.1 billion	¥4,801.7 billion	¥202,512.8 billion	¥87,088.6 billion
Total liabilities	¥278,857.7 billion	¥1,020.7 billion	¥4,240.7 billion	¥191,048.3 billion	¥85,554.1 billion
Net assets	¥13,388.6 billion	¥8,719.3 billion	¥560.9 billion	¥11,464.5 billion	¥1,534.4 billion

(Reference: Year ended March 31, 2013)

Total assets	¥292,892.9 billion	¥9,711.1 billion	¥4,806.5 billion	¥199,840.6 billion	¥90,462.3 billion
Total liabilities	¥280,444.7 billion	¥1,108.3 billion	¥4,263.4 billion	¥188,843.1 billion	¥88,997.5 billion
Net assets	¥12,448.1 billion	¥8,602.8 billion	¥543.0 billion	¥10,997.5 billion	¥1,464.7 billion

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

Consolidated total assets at the end of the fiscal year were ¥292,246.4 billion, a year-on-year decrease of ¥646.5 billion. Assets included securities of ¥235,623.1 billion and loans of ¥14,096.9 billion.

Consolidated total liabilities at the end of the fiscal year were ¥278,857.7 billion, a year-on-year decrease of ¥1,586.9 billion. Liabilities included deposits of ¥175,291.9 billion and policy reserves of ¥80,799.9 billion.

After excluding ¥38.5 billion in dividends within retained earnings and adding consolidated net income of ¥479.0 billion, net assets rose from ¥12,448.1 billion at the end of the previous fiscal year-end to ¥13,388.6 billion. Net assets included net unrealized gains on available-for-sale securities of ¥2,750.4 billion.

As of March 31, 2014, the consolidated capital adequacy ratio (domestic standard) was 49.23%.

### 3. Consolidated Financial Highlights (April 1, 2013 to March 31, 2014)

#### ■ Consolidated Results of Operations

<b>Ordinary income</b> (Year ended March 31, 2014) <b>¥15,240,126 million</b> (Year ended March 31, 2013) <b>¥15,849,185 million</b>		<b>Net ordinary income</b> (Year ended March 31, 2014) <b>¥1,103,603 million</b> (Year ended March 31, 2013) <b>¥1,225,094 million</b>		<b>Net income</b> (Year ended March 31, 2014) <b>¥479,071 million</b> (Year ended March 31, 2013) <b>¥562,753 million</b>	
<b>Net income per share</b> (Year ended March 31, 2014) <b>¥3,193.81</b> (Year ended March 31, 2013) <b>¥3,751.69</b>		<b>Diluted net income per share (Note)</b> (Year ended March 31, 2014) — (Year ended March 31, 2013) —			
<b>Return on equity</b> (Year ended March 31, 2014) <b>3.7%</b> (Year ended March 31, 2013) <b>4.8%</b>		<b>Net ordinary income/Total assets</b> (Year ended March 31, 2014) <b>0.4%</b> (Year ended March 31, 2013) <b>0.4%</b>		<b>Net ordinary income/Ordinary income</b> (Year ended March 31, 2014) <b>7.2%</b> (Year ended March 31, 2013) <b>7.7%</b>	

(Reference) Equity in earnings of affiliates

Year ended March 31, 2014: ¥12 million

Year ended March 31, 2013: ¥22 million

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

#### ■ Consolidated Financial Condition

<b>Total assets</b> (Year ended March 31, 2014) <b>¥292,246,440 million</b> (Year ended March 31, 2013) <b>¥292,892,975 million</b>		<b>Net assets</b> (Year ended March 31, 2014) <b>¥13,388,650 million</b> (Year ended March 31, 2013) <b>¥12,448,197 million</b>	
<b>Capital adequacy ratio (Note 1)</b> (Year ended March 31, 2014) <b>4.6%</b> (Year ended March 31, 2013) <b>4.2%</b>		<b>Net assets per share</b> (Year ended March 31, 2014) <b>¥89,247.18</b> (Year ended March 31, 2013) <b>¥82,978.51</b>	
		<b>Consolidated capital adequacy ratio (domestic standard) (Note 2)</b> (Year ended March 31, 2014) <b>49.23%</b> (Year ended March 31, 2013) <b>57.38%</b>	

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

2. The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006). From the fiscal year ended March 31, 2014, the Company has adopted a domestic standard based on Basel III.

(Reference) Equity capital

Year ended March 31, 2014: ¥13,387,076 million

Year ended March 31, 2013: ¥12,446,776 million

## 2

### Japan Post Holdings Financial Highlights (April 1, 2013 to March 31, 2014)

In addition to serving as a holding company, Japan Post Holdings operates hospitals and hotels and also contracts to provide shared services to Group companies. Ordinary income was ¥276.3 billion, net ordinary income was ¥147.8 billion and net income was ¥155.0 billion.

#### ■ Results of Operations

<b>Operating income</b> (Year ended March 31, 2014) <b>¥272,988 million</b> (Year ended March 31, 2013) <b>¥265,304 million</b>		<b>Net operating income</b> (Year ended March 31, 2014) <b>¥146,002 million</b> (Year ended March 31, 2013) <b>¥121,207 million</b>		<b>Net ordinary income</b> (Year ended March 31, 2014) <b>¥147,837 million</b> (Year ended March 31, 2013) <b>¥125,666 million</b>		<b>Net income</b> (Year ended March 31, 2014) <b>¥155,090 million</b> (Year ended March 31, 2013) <b>¥145,228 million</b>	
<b>Net income per share</b> (Year ended March 31, 2014) <b>¥1,033.94</b> (Year ended March 31, 2013) <b>¥ 968.19</b>		<b>Diluted net income per share (Note)</b> (Year ended March 31, 2014) — (Year ended March 31, 2013) —					
<b>Return on equity</b> (Year ended March 31, 2014) <b>1.8%</b> (Year ended March 31, 2013) <b>1.7%</b>		<b>Net ordinary income/Total assets</b> (Year ended March 31, 2014) <b>1.5%</b> (Year ended March 31, 2013) <b>1.3%</b>		<b>Net operating income/Operating income</b> (Year ended March 31, 2014) <b>53.5%</b> (Year ended March 31, 2013) <b>45.7%</b>			

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

#### ■ Financial Condition

<b>Total assets</b> (Year ended March 31, 2014) <b>¥9,740,129 million</b> (Year ended March 31, 2013) <b>¥9,711,170 million</b>		<b>Net assets</b> (Year ended March 31, 2014) <b>¥8,719,384 million</b> (Year ended March 31, 2013) <b>¥8,602,843 million</b>	
<b>Capital adequacy ratio</b> (Year ended March 31, 2014) <b>89.5%</b> (Year ended March 31, 2013) <b>88.6%</b>		<b>Net assets per share</b> (Year ended March 31, 2014) <b>¥58,129.23</b> (Year ended March 31, 2013) <b>¥57,352.29</b>	

(Reference) Equity capital

Year ended March 31, 2014: ¥8,719,384 million

Year ended March 31, 2013: ¥8,602,843 million



## 3

## Japan Post Financial Highlights (April 1, 2013 to March 31, 2014)

In the postal service business, we handled a total of 22,324.42 million items including 18,571.78 million items of mail, 428.44 million Yu-Pack parcels and 3,324.21 million Yu-Mail booklet parcels. Although operating income posted a turnaround and increased thanks to rises in Yu-Pack, Yu-Mail and EMS services, higher personnel expenses and expenses led to a decline in net operating income from the previous fiscal year, resulting in operating income of ¥1,777.6 billion and net operating income of ¥9.4 billion.

In the post office business, an expansion of revenue in new businesses and a decrease in personnel expenses and expenses resulted in operating income of ¥1,183.5 billion and net operating income of ¥37.5 billion.

## ■ Results of Operations

<b>Operating income</b> (Year ended March 31, 2014) <b>¥2,773,958 million</b> (Year ended March 31, 2013) <b>¥2,054,124 million</b>		<b>Net operating income</b> (Year ended March 31, 2014) <b>¥46,999 million</b> (Year ended March 31, 2013) <b>¥91,219 million</b>		<b>Net ordinary income</b> (Year ended March 31, 2014) <b>¥ 52,532 million</b> (Year ended March 31, 2013) <b>¥100,299 million</b>		<b>Net income</b> (Year ended March 31, 2014) <b>¥32,911 million</b> (Year ended March 31, 2013) <b>¥83,012 million</b>	
<b>Net income per share</b> (Year ended March 31, 2014) <b>¥ 8,227.87</b> (Year ended March 31, 2013) <b>¥20,753.19</b>		<b>Diluted net income per share</b> (Note 2) (Year ended March 31, 2014) — (Year ended March 31, 2013) —		<b>Return on equity</b> (Year ended March 31, 2014) <b>6.0%</b> (Year ended March 31, 2013) <b>19.7%</b>		<b>Net ordinary income/Total assets</b> (Year ended March 31, 2014) <b>1.1%</b> (Year ended March 31, 2013) <b>2.5%</b>	
<b>Net operating income/Operating income</b> (Year ended March 31, 2014) <b>1.7%</b> (Year ended March 31, 2013) <b>4.4%</b>							

Notes: 1. Regarding figures for the fiscal year ended March 2013, the settlement figures of the original Japan Post Service Co., Ltd. from October 2012 onward have been added to the settlement figures of the original Japan Post Network Co., Ltd.

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

## ■ Financial Condition

<b>Total assets</b> (Year ended March 31, 2014) <b>¥4,801,764 million</b> (Year ended March 31, 2013) <b>¥4,806,509 million</b>		<b>Net assets</b> (Year ended March 31, 2014) <b>¥560,972 million</b> (Year ended March 31, 2013) <b>¥543,076 million</b>	
<b>Capital adequacy ratio</b> (Year ended March 31, 2014) <b>11.7%</b> (Year ended March 31, 2013) <b>11.3%</b>		<b>Net assets per share</b> (Year ended March 31, 2014) <b>¥140,243.06</b> (Year ended March 31, 2013) <b>¥135,769.05</b>	

(Reference) Equity capital  
 Year ended March 31, 2014: ¥560,972 million  
 Year ended March 31, 2013: ¥543,076 million

## ■ Results of Operations by segment

## Postal service business segment (Note)

<b>Operating income</b> (Year ended March 31, 2014) <b>¥1,777,635 million</b> (Year ended March 31, 2013) <b>¥1,754,426 million</b>		<b>Net operating income</b> (Year ended March 31, 2014) <b>¥ 9,454 million</b> (Year ended March 31, 2013) <b>¥37,405 million</b>	
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Note: Regarding figures for the fiscal year ended March 2013, the settlement figures of the original Japan Post Service Co., Ltd. from April to September 2012 onward have been added to the settlement figures of Japan Post Co., Ltd.

## Post office business segment

<b>Operating income</b> (Year ended March 31, 2014) <b>¥1,183,528 million</b> (Year ended March 31, 2013) <b>¥1,187,938 million</b>		<b>Net operating income</b> (Year ended March 31, 2014) <b>¥37,545 million</b> (Year ended March 31, 2013) <b>¥27,216 million</b>	
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## 4 Japan Post Bank Financial Highlights (April 1, 2013 to March 31, 2014)

Deposits at Japan Post Bank totaled ¥176,612.7 billion (¥177,734.2 billion including accrued interest) as result of strengthened sales promotion capabilities in collaboration with Japan Post Co., Ltd. Ordinary income (revenues) was ¥2,076.3 billion, net ordinary income was ¥565.0 billion and net income was ¥354.6 billion. The capital adequacy ratio (non-consolidated, domestic standard) was 56.81%.

### Results of Operations

<b>Ordinary income</b> (Year ended March 31, 2014) <b>¥2,076,397 million</b> (Year ended March 31, 2013) <b>¥2,125,888 million</b>		<b>Net ordinary income</b> (Year ended March 31, 2014) <b>¥565,095 million</b> (Year ended March 31, 2013) <b>¥593,535 million</b>		<b>Net income</b> (Year ended March 31, 2014) <b>¥354,664 million</b> (Year ended March 31, 2013) <b>¥373,948 million</b>	
<b>Net income per share</b> (Year ended March 31, 2014) <b>¥2,364.43</b> (Year ended March 31, 2013) <b>¥2,492.98</b>		<b>Diluted net income per share (Note)</b> (Year ended March 31, 2014) — (Year ended March 31, 2013) —			
<b>Return on equity</b> (Year ended March 31, 2014) <b>3.1%</b> (Year ended March 31, 2013) <b>3.5%</b>		<b>Net ordinary income/Total assets</b> (Year ended March 31, 2014) <b>0.2%</b> (Year ended March 31, 2013) <b>0.3%</b>		<b>Net ordinary income/Ordinary income</b> (Year ended March 31, 2014) <b>27.2%</b> (Year ended March 31, 2013) <b>27.9%</b>	

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

### Financial Condition

<b>Total assets</b> (Year ended March 31, 2014) <b>¥202,512,882 million</b> (Year ended March 31, 2013) <b>¥199,840,681 million</b>		<b>Net assets</b> (Year ended March 31, 2014) <b>¥11,464,524 million</b> (Year ended March 31, 2013) <b>¥10,997,558 million</b>	
<b>Capital adequacy ratio</b> (Year ended March 31, 2014) <b>5.6%</b> (Year ended March 31, 2013) <b>5.5%</b>		<b>Net assets per share</b> (Year ended March 31, 2014) <b>¥76,430.16</b> (Year ended March 31, 2013) <b>¥73,317.05</b>	
		<b>Capital adequacy ratio (non-consolidated, domestic standard) (Note)</b> (Year ended March 31, 2014) <b>56.81%</b> (Year ended March 31, 2013) <b>66.04%</b>	

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). From the fiscal year ended March 31, 2014, the Company has adopted a domestic standard based on Basel III.

(Reference) Equity capital  
 Year ended March 31, 2014: ¥11,464,524 million  
 Year ended March 31, 2013: ¥10,997,558 million

## 5 Japan Post Insurance Financial Highlights (April 1, 2013 to March 31, 2014)

As a result of efforts to strengthen its sales promotion capabilities in collaboration with Japan Post Co., Ltd., Japan Post Insurance established 2.23 million new insurance policies for individuals, posting ordinary income of ¥11,233.9 billion, net ordinary income of ¥463.5 billion and net income of ¥63.4 billion. Insurance premiums amounted to ¥5,911.6 billion, and core profit was ¥482.0 billion, while retained earnings (reserve for price fluctuations and contingency reserve) totaled ¥3,203.0 billion, for a solvency margin ratio of 1,623.4%.

### Results of Operations

<b>Ordinary income</b> (Year ended March 31, 2014) <b>¥11,233,925 million</b> (Year ended March 31, 2013) <b>¥11,834,920 million</b>		<b>Net ordinary income</b> (Year ended March 31, 2014) <b>¥463,506 million</b> (Year ended March 31, 2013) <b>¥529,375 million</b>		<b>Net income</b> (Year ended March 31, 2014) <b>¥63,428 million</b> (Year ended March 31, 2013) <b>¥91,000 million</b>	
<b>Net income per share</b> (Year ended March 31, 2014) <b>¥3,171.42</b> (Year ended March 31, 2013) <b>¥4,550.02</b>		<b>Diluted net income per share (Note)</b> (Year ended March 31, 2014) — (Year ended March 31, 2013) —			
<b>Return on equity</b> (Year ended March 31, 2014) <b>4.2%</b> (Year ended March 31, 2013) <b>6.6%</b>		<b>Net ordinary income/Total assets</b> (Year ended March 31, 2014) <b>0.5%</b> (Year ended March 31, 2013) <b>0.6%</b>		<b>Net ordinary income/Ordinary income</b> (Year ended March 31, 2014) <b>4.1%</b> (Year ended March 31, 2013) <b>4.5%</b>	

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

### Financial Condition

<b>Total assets</b> (Year ended March 31, 2014) <b>¥87,088,626 million</b> (Year ended March 31, 2013) <b>¥90,462,364 million</b>		<b>Net assets</b> (Year ended March 31, 2014) <b>¥1,534,457 million</b> (Year ended March 31, 2013) <b>¥1,464,771 million</b>	
<b>Capital adequacy ratio</b> (Year ended March 31, 2014) <b>1.8%</b> (Year ended March 31, 2013) <b>1.6%</b>		<b>Net assets per share</b> (Year ended March 31, 2014) <b>¥76,722.86</b> (Year ended March 31, 2013) <b>¥73,238.56</b>	
		(Reference) Equity capital Year ended March 31, 2014: ¥1,534,457 million Year ended March 31, 2013: ¥1,464,771 million	





# Dedicated to Providing the Public with the Best Possible Services

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# 1. Operations of Japan Post



Toru Takahashi

President & CEO  
Japan Post Co., Ltd.

## Message from the Company



I would like to express my appreciation to our customers for your ongoing use of our post offices.

For over 140 years since the founding of our postal operations in 1871, post offices have provided postal, banking, and insurance services based on the concept of offering customers security while earning their trust.

In February 2014, the Japan Post Group, including Japan Post Co., Ltd., announced the "Japan Post Group Medium-Term Management Plan—New Japan Post Group Network Creation Plan 2016." Additionally, we aim to be "an integrated lifestyle-support corporate group" that helps customers realize safe, secure, comfortable and enriched lives and lifestyles by providing each of them with a variety of products and services tailored to their diverse lifestyles and life stages.

### Review of Fiscal 2014

With fiscal 2014 being the first substantive fiscal year following the corporate merger between Japan Post

Network Co., Ltd. and Japan Post Service Co., Ltd., we aimed to optimally deploy the effects of the merger by striving to streamline our organizations, namely integrating divisions common to head office and regional offices and consolidating managers at post offices.

In addition, we pushed ahead with the rebuilding of an efficient and functional post office network, which included opening new post offices and relocating existing post offices in consideration of customer convenience. At the same time, we took steps to establish delivery time-specified mail and expand the number of post offices that handle affiliated financial services such as cancer insurance aimed at building stronger management foundations by securing higher profits.

Besides emphasizing thoroughgoing compliance based on our compliance program with the objective of maintaining and building upon trust from customers, we made sweeping reductions in operational costs to attain a profitable balance in our revenues and expenses, and made efficient and effective utilization of personnel. We also

made efforts to raise productivity through the reorganization of postal and logistics networks by way of centralized processing and automation of internal operations at collection and delivery centers and by upgrading system infrastructures such as the new postal information system.

As a result of these measures, Japan Post recorded operating income of ¥2,773.9 billion, net ordinary income of ¥52.5 billion and net income of ¥32.9 billion.

In November 2013, it was discovered that the method of handling and the equipment used for temperature-sensitive Yu-Pack at certain post offices offering the service were inadequate, prompting improvements and the establishment of a system enabling proper handling. We take with the utmost seriousness situations that cause trouble for customers and will make every effort to prevent recurrence primarily through training, independent inspections and on-site inspections before peak periods.

## Issues for the Future

The environment surrounding the company is changing every moment, characterized in particular by an increase in online selling, the proliferation of smartphones and tablet devices, and the diversification of customer needs related to service quality. To ensure that we can smoothly and reliably provide customers with services in the future, we recognize the importance of properly responding to such a business environment while providing products and services that anticipate customer needs at all times.

In fiscal 2015, we will begin establishing foundations for the future as part of efforts in the first fiscal year of the Japan Post Group's medium-term management plan. At the

same time, it is necessary to proceed with preparations required to enable the early listing of shares for Japan Post Holdings Co., Ltd. and the disposal of shares by the government.

In light of these factors, we will strive hard to expand profits based on a turnaround to a period of economic recovery and reform our business style aimed at sustainable growth in fiscal 2015.

Efforts will also be made to strengthen profitability through such efforts as developing SNS related services using smartphones and other devices and revising the content of Yu-Pack and Yu-Mail services to further increase use of post offices, expanding real estate development business, and enhancing customer service through ties with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. In addition, we will work to enhance corporate value by establishing a service environment by continuing to reorganize postal and logistics networks and upgrading structures and equipment including aging post office buildings.

On a different front, we will continue to implement thorough compliance based on our compliance program as we work to secure even greater trust from customers. We will also maintain our efforts to support reconstruction following the Great East Japan Earthquake and help support the daily lives of people affected by the disaster by working to reopen post offices in disaster-stricken areas.

Looking to the future, all employees of Japan Post are united in their efforts to provide even higher quality services. We appreciate your continuous patronage and use of our post offices.

# 1. Overview of Operations

Japan Post Co., Ltd. is the company in the Japan Post Group that deals with postal service business as well as post office business.

In addition to steadily providing universal postal services, Japan Post offers customers nationwide bank counter operations and insurance counter operations under consignment from Japan Post Bank and Japan Post Insurance as universal services through post offices.

Going forward, efforts will be made to maintain the level of the post office network, which is a shared asset of the Japanese people, in order to ensure major public benefits and contribute to local communities while enhancing value in the post office network by making post office services even more convenient. Accordingly, we will promote initiatives to comprehensively support the daily lives of local customers.

## 1. Overview of Operations and Services

### ■ Postal and Domestic Distribution Business

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

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

\*EMS: Express Mail Service

### ■ Banking Counter Operations and Others

Under consignment from Japan Post Bank, we handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese Government Bonds and investment trusts.

### ■ Insurance Counter Operations and Others

Under consignment from Japan Post Insurance, we solicit life insurance and handle premium payments. In addition, we sell individual variable annuities, life insurance for companies (for management-level personnel), cancer insurance, medical insurance with eased underwriting conditions and automobile insurance under consignment from life insurance companies and non-life insurance companies other than Japan Post Insurance.

### ■ International Logistics Business

In response to expanding needs for international logistics, we are promoting international logistics business with a strong focus on the air cargo sector and international logistics sector for corporate customers mainly in China and other parts of Asia.

In cooperation with Japan Post Sankyu Global Logistics Co., Ltd., a subsidiary jointly established with Sankyu Inc. in July 2008, we provide international cargo services, primarily including a wide

range of air cargo services ranging from small-lot to large-lot cargo.

Moreover, we provide international logistics that deliver optimal logistics solutions to customers mainly through Japan Post International Logistics Co., Ltd., which was established with full ownership of capital as an overseas subsidiary in Shanghai, China, in September 2013.

### ■ Logistics Business

We are deploying our logistics business in response to diversifying and more sophisticated logistics needs. Together with our subsidiaries JP Logi Service Co., Ltd. and JP Media Direct Co., Ltd., we provide our third party logistics (3PL) services, from an optimal logistics strategy for customers and the design, proposal and creation of logistics systems to their operation as well as logistics operations, mainly through a logistics solutions center.

### ■ Logistics Finance Business

We will conduct finance services linked to logistics such as settlement services for mail-order businesses.

### ■ Real Estate Business

We are making effective use of the real estate held by Japan Post and are working on new profit-making businesses such as the leasing building business, which includes JP Tower constructed in front of Tokyo Station, housing business and parking space business.



JP Tower

## 2. Initiatives in Fiscal 2014

The operating environment is extremely severe, characterized by declines in the number of items of mail handled and the number of insurance policies in force. Nonetheless, we worked to secure revenues and minimize expenses.

Specifically, we secured revenues mainly by strengthening sales to small-lot and medium-lot customers and making the most effective use of real estate. We also streamlined our organizations to optimally maximize the merits of the merger, reduced operational costs, efficiently and effectively utilized required personnel in areas and thoroughly implemented management based on operating profit and loss.

Going forward, we will continue aiming to improve the balance of payments throughout the company in order to maintain sound management.

### ■ Promoting Real Estate Development

We are making the most effective use of real estate held by Japan Post as a new profit-making business.

The commercial facility KITTE located in JP Tower, which opened officially on March 21, 2013, projected a total number of annual visitors of 13 million upon opening, but actual figures far surpassed expectations with around 23 million visitors recorded throughout the year.

We at Japan Post will continue valuing connections with each customer and providing better services so that KITTE becomes widely popular as a commercial facility connecting people with people, towns with towns and eras with eras while bringing abundant happiness.

This photo shows an occasion during the Christmas event, WHITE KITTE, held from November 2 to December 25. The Christmas tree set up in the center of the atrium was a big hit, with approximately 100,000 people visiting it on December 24 alone. Thanks to media reports and word-of-mouth, people would come from all over and gather around the tree with cameras in hand waiting for the light show to begin. It was moments such as these that connected people with people and people with KITTE.

Aside from JP Tower, the Sapporo Mitsui JP Building (scheduled for completion in August 2014), the Omiya JP Building (scheduled for completion in August 2014) and JP Tower Nagoya (scheduled for completion in November 2015) are currently under construction. In addition to beginning new construction of all commercial facilities on the premises of the former Hakata Post Office with a scheduled opening in spring 2016, we are planning to develop an office building together with the owner of the adjacent premises.

In the housing business, we are marketing a condominium building in Fukuoka City following our condominium building in Meguro Ward (completely sold out in March 2012) and are looking into commercialization of rental housing mainly in the Tokyo metropolitan area.



The Christmas event, WHITE KITTE

### ■ Strengthen Sales Capabilities

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

- **Postal:** In an effort to get people to rediscover the appeal, value and effect of direct mail, we held sales promotion seminars for corporations at 215 venues nationwide. Close to 6,000 companies took part and we received many inquiries regarding sales promotion using direct mail. By continuing such activities, we will work to distribute information on the appeal of paper media that will help raise customer sales and also to boost sales capabilities together with customers.
- **Banking:** We worked to secure deposits by conducting campaigns in each region during summer and winter bonus season and encouraging an increasing number of customers to use *TEIGAKU* and time deposits of Japan Post Bank. We sought to maintain and expand the number of customers who automatically receive pension payments by holding pension consultation events and providing a members-only service for JAPAN POST BANK *Tokimeki Club* service.
- **Insurance:** As part of our "Comprehensive and Heartfelt Services," we explained the content of insurance policies and got customers to reconfirm their understanding of the details. We also provided various services to give customers even greater satisfaction. We are working to maintain policies in force by changing the date of maturity and to recommend new policies to their families and nearby customers by gaining the trust of customers through these activities.



### ■ Activities for 2014 New Year's Postcards

We pushed ahead with Web-enabled services so that New Year's postcards could be sent and received in a more fun and convenient manner. On our special New Year's postcards website (yubin-nenga.jp), we introduced content that adds fun to complement features concerned with "knowing," "buying," "making" and "sending" so more people use it as a portal site for New Year's postcards.

We also provided Coca Cola New Year's postcards in conjunction with Coca Cola Japan and Yahoo! JAPAN *Nengajo* service. This is the first service of its kind in the world in which users receive a Coca Cola beverage by swiping the postcard over a reader on a vending machine. In addition, we promoted gift-related New Year's postcards in collaboration with various companies based on the concept of exchanging gifts through postcards, namely New Year's postcards that let recipients view a Disney movie on-demand, TSUTAYA coupon and Amazon MP3 download.

Moreover, our "Post Card Design Kit" has been used by many people, earning high praise for making it easy to produce and order New Year's postcards when out during the busy year-end season based on the idea of sending New Year's postcards by smartphone.

## 3. Extensive Products and Services

### ■ Trial Implementation of "Cool EMS"

Japan Airlines Co., Ltd. (JAL) and Japan Post started trials of a delivery service called "Cool EMS" for small, temperature-sensitive parcels by way of Express Mail Service (EMS) in April 2013. A delivery service for frozen items was added in April 2014 and the service area was expanded to include Malaysia in addition to the previously handled Hong Kong, Taiwan and Singapore.

In addition, we introduced a cold storage box smaller than those previously provided and reduced the price while also expanding the number of post offices that send the boxes to 11.

### ■ Start of Postal Services at Lawson Store 100

Lawson Store 100 (currently Lawson Mart, approximately 1,200 stores) around Japan started handling Yu-Pack services on June 1, 2013 (began with around 20 stores in part of Kyushu on May 20), and we have installed post boxes inside the stores for this purpose.

### ■ Established Overseas Subsidiary in Shanghai, China

Japan Post established Japan Post International Logistics Co., Ltd. after obtaining approval (issuance of an operating permit) from the Shanghai Administration for Industry & Commerce, a government-related agency, in September 2013.

The company is further expanding international logistics business centered on China and is providing comprehensive logistics solutions as a logistics consultant that makes maximum use of diverse modes of shipping, namely land, sea and air.

In addition, the company provides Japan Post's one-stop service as a support package for entering China, which includes offering logistics services between Japan and China as well as customer support and marketing on a local basis for customers looking to enter China or sell Japanese products and other goods to China.

### ■ Started Delivery Time-Specified Mail

We started handling delivery time-specified mail in October 2013 in which senders can specify delivery time.

This service enables mail to be delivered within the three specified timeframes of morning (8:00 to 12:00), afternoon (12:00 to 17:00) and evening (17:00 to 21:00) starting from the earliest possible delivery slot.

Being able to specify delivery time is especially convenient when sending something to a person who is home only for a limited time or when sending documents such as invoices that have a deadline.

In principle, the items will be delivered to the recipient directly, but will be placed in the mail box in case the recipient is out. In case of registered mail (*Kakitome*), the item will be delivered to the recipient directly and requires a seal or signature.

Moreover, it is possible to verify delivery status via the Track & Trace Service to provide reassurance and certainty.

### ■ Trial Implementation of "Post Office Watch Service"

We started trials of a new service on October 1, 2013 with the aim of valuing connections between the local community and post offices as "an integrated lifestyle-support corporate group", growing together with people in society. Specifically, post office staff members visit customers' homes to check on the living situation and report the results to the person specified by each customer. As part of this service, we also provide other types of support for customer's lifestyles through 24-hour telephone consultation on general lifestyle related matters, discount accommodation fees for Kanpo no Yado Inns and issuance of a newsletter.

### ■ Started Handling Items for People in Mourning

In October 2013, we started selling items that help people convey their heartfelt feelings of condolence after receiving news that someone they know is in mourning.

We have prepared three different items that include "Osenko tayori suirei" in which the post office's original incense can be sent.

### ■ Expanded the Number of Post Offices Handling Affiliated Financial Service Products

We have gradually expanded the number of post offices that handle various affiliated financial service products to make them accessible to more customers. The number of post offices selling variable annuities has grown from 508 to 1,079 since October 2013, while the number handling life insurance for companies (for management-level personnel) has risen from 134 to 165 in the same period. The number of post offices handling automobile insurance has expanded from 1,241 to 1,495, while the number handling cancer insurance expanded from 1,000 to 1,500, with this figure expanding to 2,980 since March 2014.

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

## 2. Products and Services

### I Postal Services

#### 1. Stamps and Postcards

(As of April 1, 2014)

Products	Description/Features
<b>Ordinary stamps</b>	Standard lineup of postage stamps.
<b>Special stamps</b>	Stamps issued for a special purpose, such as to commemorate an important national event in Japan or a significant campaign in Japan or other countries. We also provide greeting postage stamps with designs suitable for use with greeting cards for celebrations and various other occasions.
<b>Furusato stamps</b>	Stamps issued to stimulate interest in specific regions of Japan using regional themes.
<b>Donation-added New Year's postage stamps</b>	These lottery stamps allow individuals who use their own New Year's postcards and letters to participate in the New Year's postcard lottery. There are two types: one for postcards and one for letters.
<b>Frame stamps</b>	An original postage stamp that is designed to look like a photo frame, with its inner blank space available for printing photographs, etc. Frame stamps can be ordered via the Internet or at a post office.
<b>Standard postcards</b>	In addition to the postage mark featuring a house sparrow, other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
<b>New Year's postcards (New Year's lottery postcards)</b>	These postcards are available in a standard format and with a donation added. A service called <i>Nenga Town-Mail</i> is also available to deliver no name specified New Year's postcards to all households and offices within a particular town neighborhood, where there is a delivery of New Year's postcards on January 1.
<b>Summer greeting postcards (Kamo-Mail)</b>	Kamo-Mail is lottery postcards for summer greetings. A service called <i>Kamome Town</i> is also available to deliver no name specified Kamo-Mail postcards, which are accepted during a specified period, to all households and offices within a particular town neighborhood.
<b>Echo-postcards</b>	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5 to ¥47.
<b>Inkjet printing standard postcards</b>	Postcards with a special coating permitting the postcards to be used for printing photographs, pictures and other colorful images. The postage mark is in the design of mountain cherry blossoms.
<b>Reply-paid postcards</b>	This is two attached postcards, one to be used by the sender and the other by the recipient to send a reply back to the sender. The absence of a fold in the middle allows these postcards to be easily used with a printer or copier. These postcards are useful for printing large numbers of invitations to parties, sales events, exhibitions and other events.
<b>Four-surface printing postcards</b>	With four postcards in a single sheet, these postcards are useful for situations where a large number of postcards need to be printed.
<b>Postcards with indentations</b>	These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can tell the front and back and top and bottom of a postcard.
<b>Picture postcards</b>	Picture postcards featuring famous scenery and other sights from all over Japan.
<b>International postcards</b>	These postcards are used for international air mail and have the same rate (¥70) for every foreign country.
<b>Mini-letters (Postal envelopes)</b>	These sheets, in which writing space is three times the size of a postcard, are a combined letter and an envelope. Postage is printed on the front just as with a postcard. Items can be enclosed up to the limit of 25 g.
<b>Letter Pack Plus*<sup>1</sup> (Specified postage-paid envelope, with recorded delivery service)</b>	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items can be sent nationwide for a flat rate (¥510). As the package is hand delivered to the recipient in exchange of his or her signature or seal, it offers a secure way to send items by post. A tracking service is available to check delivery status.
<b>Letter Pack Light*<sup>2</sup> (Specified postage-paid envelope)</b>	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items that do not exceed 3 cm in depth can be sent nationwide for a flat rate (¥360). This item is placed in the recipient's mail box and is therefore useful for persons who are not often at home to receive mail items. A tracking service is available to check delivery status.
<b>Aerogrammes</b>	The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 g. Space is three times the size of a postcard and postage is printed on the front. Air-mail postage is cheaper (¥90 for anywhere in the world).
<b>Stamp booklets</b>	Stamp booklets have a cover and contain several stamps or several dozen stamps, with an accompanying explanation of each stamp.

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



Furusato stamps



Special stamps



Stamp booklets



Frame stamps

## 2. Standard Mail Services

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

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

Products	Description/Features
<b>Yu-Pack</b>	Yu-Pack is a domestic delivery service for sending parcels having the sum total of length, width and thickness of less than 170 cm and weighing less than 30 kg, with the receiver's address listed on an attached invoice. The Yu-Pack service offers a host of benefits and conveniences. These include discounts for parcels brought to post offices, discounts for the same destination, discounts for multiple parcels to the same destination simultaneously, volume discounts for 10 or more parcels, service that allows the user to specify the nearest post office to home or work for receipt of the package, forwarding to a second address when no one is at the primary address, notice of completed delivery service, same-day redelivery, specified time delivery service and same-day delivery (certain post offices and regions).
<b>Airport Yu-Pack</b>	An easy and inexpensive way for travelers to ship their luggage to and from an airport. Luggage can be picked up at a designated counter at the airport. There is a reduction available for using the service on both outbound and inbound journeys.
<b>Golf and Ski Yu-Pack</b>	Golf and ski equipment is delivered to a hotel or other location by the day prior to the customer's arrival or back to the customer's home. There is a reduction available for using the service on both outbound and inbound journeys.
<b>Pos Packet</b>	A convenient service for sending small and light items anywhere in Japan at a flat rate of ¥360. Delivery confirmation is available online. No prior procedure is needed. Simply drop Pos Packet in a post box.
<b>Yu-Mail (booklet parcels)</b>	A service for sending books and other publications. No prior procedure is needed. Simply drop Yu-Mail in a post box.
<b>Town Plus</b>	A service to deliver Yu-Mail to all deliverable addresses within a particular town neighborhood without the name of receivers.
<b>Yu-Mail for persons with disabilities</b>	Yu-Mail for materials sent between libraries and persons with severe physical or mental disabilities.
<b>Braille Yu-Pack</b>	Used to send Braille materials.
<b>Yu-Pack for the hearing impaired</b>	Used to send videotapes for hearing-impaired individuals. Available for tapes sent between facilities approved by Japan Post and eligible recipients.



Nenga Town-Mail



Kamome Town



Letter Pack Plus



Letter Pack Light



Yu-Pack package (large box)



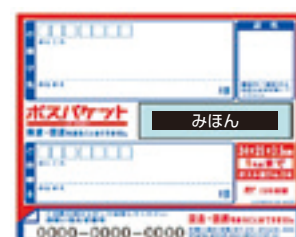
Yu-Pack package (small box)



Yu-Pack package (large pouch)



Yu-Pack package (small pouch)






Pos Packet



## 4. Major Supplementary Services

(As of April 1, 2014)

Services	Description/Features
<b>Express mail (<i>Sokutatsu</i>)</b>	The fastest form of delivery, in which mail receives priority over other letters and parcels in the same class.
<b>New special express mail (<i>Shin tokkyu yubin</i>)</b>	Delivers mail received around morning time by approximately 17:00 the same day.
<b>Delivery time-specified mail (<i>Haitatsu-jikantai shitei yubin</i>)</b>	This service enables mail to be delivered within the three specified timeframes of morning (8:00 to 12:00), afternoon (12:00 to 17:00) and evening (17:00 to 21:00) starting from the earliest possible delivery slot.
<b>Registered mail (<i>Kakitome</i>)</b>	Letters and parcels are tracked from acceptance to delivery. If the item is damaged or lost, the sender will be reimbursed for the actual loss based on the amount submitted when the item was sent. There are three types: cash registered mail, ordinary registered mail and simplified registered mail (discounted postage).
<b>Security service</b>	This service provides compensation for loss up to ¥500,000 in the event that a Yu-Pack is damaged or lost.
<b>Acceptance-recorded mail (<i>Tokutei kiroku</i>)</b>	A service for registering the acceptance and delivery of letters and parcels.
<b>Recorded delivery mail (<i>Kofu kiroku yubin</i>)</b>	This is a service provided for a flat rate of ¥510, using a specified postage-paid envelope, which records the delivery of the items in the specified envelope.
<b>ID confirmation delivery service (<i>Honnin gentei uketori</i>)</b>	This service provides delivery of letters and parcels only to a person whose name is listed on the letter or parcel. There are three types of service: basic, special-case and conveying specific details.
<b>Cash on Delivery (<i>Daikin hikikae</i>)</b>	The recipient pays the designated amount upon receipt of the letter or parcel. The amount due is paid to the sender using a Japan Post Bank remittance or ordinary remittance. For cash on delivery Yu-Pack parcels, we also offer Cash on Delivery and Remittance Service ( <i>Daikin hikikae matome sokin</i> ), a service to collect payments and make a lump-sum transfer of money in five-day increments to the sender, and Yu-Pack Collection Service.
<b>Refrigerated delivery service</b>	A safe and reliable refrigerated delivery service for fresh produce and other goods to keep their freshness while in transport.
<b>Delivery date-specified mail (<i>Haitatsu-bi shitei</i>)</b>	The letter or parcel is delivered on the day specified by the sender.
<b>Letax</b> 	A service to deliver messages to recipients, such as congratulatory messages for weddings and condolence messages for funerals, using mat boards and designs specified by senders. It is possible to apply online via the Internet (Web Letax, Web <i>Sokutatsu</i> ), or by telephone (Telephone Letax).
<b>Computer mail</b> 	The sender submits the recipient's name, address, electronic message and other data. Japan Post performs everything from printing to placing the messages in envelopes so they can be delivered using standard mail. It is possible to apply online via the Internet (Web Letter).
<b>e-content certificate</b> 	A service for using the Internet to conveniently send mail that requires certification of the contents; available on a 24-hour basis.
<b>Certification service</b>	Receipt time certification is for certifying the time a letter or parcel sent as registered mail was received. Delivery certification certifies the delivery of a letter or parcel sent as registered mail. Certification forms (which are verified by postal certification officers) state the date, sender and recipient, and contents of the letter or parcel, with certification by Japan Post.

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

## 5. Other Services

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

## 6. International Mail

Services	Description/Features
<b>EMS (Express Mail Service)</b>	Letters and parcels are given the highest priority from the time of receipt through delivery. Status of delivery can be confirmed. (Note)
<b>EMS delivery time guaranteed service (time certain service)</b>	Provides a guarantee for delivery time for EMS mail sent from Tokyo or Osaka to five countries/regions (China, Hong Kong, Singapore, South Korea, Taiwan)
<b>Cool EMS</b>	A speed post service for small, temperature-sensitive parcels by way of Express Mail Service (EMS) being provided as a trial for addresses in Taiwan and Singapore from April 1, 2013.
<b>International parcels</b>	Available in three types: air parcels where speed is the priority, surface (sea) parcels where low cost is the priority and economy air mail (SAL) small parcels that combine speed and low cost. (Note)
<b>International letter-post mail</b>	
<b>International registered mail</b>	A service to record acceptance and delivery of a mail item and to compensate for actual damage incurred when it gets damaged or lost, to the extent insured by the sender.
<b>International e-Packet</b>	A service to apply a special rate, which is lower than normal fees, to a small packet when customers use special labels issued online to send these parcels by air as registered mail.
<b>International insured mail</b>	A service to record acceptance and delivery. If the item is damaged or does not reach its destination, the sender or the addressee will be reimbursed for the actual loss based on the amount submitted when the item was sent.
<b>Letters</b>	A frequently-used service to deliver letters to overseas addresses. Letters are divided into two categories: standard-size mail having specific weights and sizes and other nonstandard-size mail. This service is available to send letters or documents weighing up to 2 kg by air mail or surface mail. "Letters" include aerogrammes and greeting cards.
<b>Postcards</b>	A service to deliver postcards worldwide at a flat rate of ¥60 for surface mail and ¥70 for air mail.
<b>Printed matter</b>	A low-cost international mail service for periodicals, catalogs, direct marketing materials, business documents and other printed materials. Can be sent as air mail, surface mail or economy air mail (SAL).
<b>Small packet</b>	A service for sending parcels up to 2 kg to overseas destinations. Less expensive than EMS or international small parcels. Can be sent as air mail, surface mail or economy air mail (SAL).
<b>D-mail, P-mail</b>	A special rate is available when a single sender mails a large quantity of pre-sorted items at once at the specified post office (300 or more for printed matters and 50 or more for small packets).

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



EMS envelopes



Shipping labels for EMS (Merchandise)



International registered mail label



International e-Packet label

## 7. Logistics Services

Our logistics services cover a wide range of logistics-related proposals, actual service consignment and operational management, including consulting service for customer's logistics\*1, information processing\*2, transportation, storage, freight handling\*3, distribution processing\*4 and packaging to meet diversifying and increasingly sophisticated customer needs.

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

\*2 We provide information systems for such areas as order system, warehouse management and transport management.

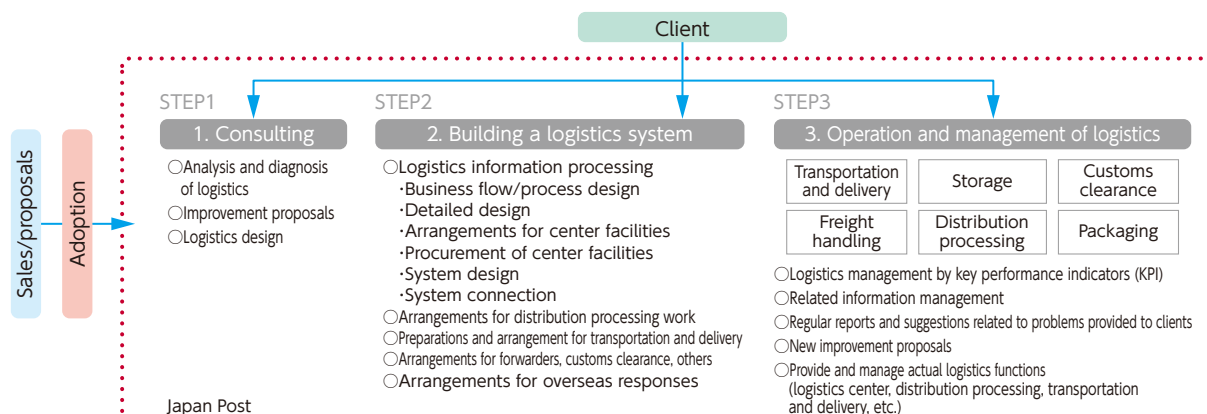
\*3 We load and unload, transport, stow, discharge, sort and organize freight during the logistics process.

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

### Logistics business services (operations)

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

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



## II Banking

We handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese Government Bonds and investment trusts. (For details, please refer to pages 48-52.)

## III Insurance

We solicit life insurance and handle premium payments of Japan Post Insurance. (For details, please refer to pages 62-64.)


### Other Insurance Products

(As of April 1, 2014)

Products	Description/Features
<b>Cancer insurance</b>	<p>Cancer insurance is provided at 2,980 post offices in order to meet the need to prepare fully for cancer as an illness that surrounds us.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> <li>• Days – Cancer insurance for daily living [underwriter: Aflac (American Family Life Assurance Company of Columbus)]</li> </ul> <p>A cancer insurance product that provides a lump-sum payment when a policyholder is diagnosed with cancer and benefits for hospitalization and treatment (surgery, radiation therapy and anticancer drugs). It also offers benefits for outpatient cancer treatment, which has been growing recently, and coverage for advanced medical treatments, which are not usually covered under the public health insurance plan.</p>
<b>Medical insurance with eased underwriting conditions</b>	<p>In order to respond to needs for healthcare coverage, which have been rising in years, we sell medical insurance with eased underwriting conditions at 1,000 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> <li>• <i>Tayoreru YOU</i> [underwriter: Sumitomo Life Insurance Company]</li> </ul> <p>This whole life medical insurance (medical insurance with eased underwriting conditions) allows for the enrollment of persons with pre-existing conditions (diabetes, hypertension, etc.) who are not accepted under traditional health insurance*.</p> <p>* Insurance products providing benefits for hospitalization or injury or when undergoing prescribed surgery</p>
<b>Variable annuity</b>	<p>In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 1,079 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> <li>• <i>Yu Yu Tsumitate Nenkin</i> [underwriter: MetLife Alico Life Insurance K.K.]</li> <li>• <i>Shiawase Teikibin</i> [underwriter: Mitsui Sumitomo Primary Life Insurance Co., Ltd.]</li> </ul>
<b>Life insurance for companies (for management-level personnel)</b>	<p>In order to respond to a variety of needs of executives, such as needs for retirement benefit-related measures, business insurance, business succession and inheritance countermeasures, we sell life insurance for companies (for management-level personnel) at 165 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> <li>• Level term life insurance    • Increasing term life insurance</li> </ul> <p>[underwriters: ING Life Insurance Company, Ltd., Sumitomo Life Insurance Company, Tokio Marine &amp; Nichido Life Insurance Co., Ltd., Nippon Life Insurance Company, Mitsui Sumitomo Aioi Life Insurance Co., Ltd., Meiji Yasuda Life Insurance Company, MetLife Alico Life Insurance K.K.]</p> <p>* Sumitomo Life Insurance Company only underwrites level term life insurance.</p>
<b>Automobile insurance</b>	<p>As a non-life insurance agency, we have been handling post office automobile insurance in cooperation with six non-life insurance companies at 1,495 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> <li>• Post Office Automobile Insurance</li> </ul> <p>[six underwriters: Aioi Nissay Dowa Insurance Co., Ltd., Sompō Japan Insurance Inc., Tokio Marine &amp; Nichido Fire Insurance Co., Ltd., NIPPONKOA Insurance Co., Ltd., The Fuji Fire and Marine Insurance Co., Ltd. and Mitsui Sumitomo Insurance Co., Ltd.]</p> <p>This insurance provides three types of basic coverage, namely, compensation and liability coverage, personal coverage of the insured and vehicle coverage in addition to combining seven types of support services ranging from accident-prevention support to support after an accident. Premium rates are set depending on the purpose of the vehicle usage and the category (color) of the driver's license held.</p>



## IV Merchandise

Products	Description/Features
Sales of catalog products	<p>We offer a number of catalog services, including the <i>furusato</i> parcel service, which allows customers to order desired products from catalogs listing specialty products from all regions of Japan or leaflets that feature products specific to a certain area, and to have these products delivered by Yu-Pack service. There is also a regular order service that lets customers enjoy the flavors and tastes of the regions of Japan once a month.</p> 
Sales at post offices	<p>We have been selling mail-related items such as letter paper, envelopes and pens and pencils at post offices nationwide (excluding certain outlets).</p> <p>In addition, we are also selling <i>Gotochi</i> Form Cards, which enable non-standard sized mail items to be sent, and limited-time original frame stamps.</p> 
Post Office Internet Shop	<p>The Post Office Internet Shop is an online shopping site opened on Japan Post's website.</p> <p>The shop offers a variety of products ranging from frame stamps to local specialty products provided under our <i>furusato</i> parcel service.</p> <p>We offer a Total Printing Service via our Post Office Internet Shop. In addition to conventional printing service for New Year's postcards, we now offer printing services for other greeting cards and business cards.</p> 

## V Advertising Business

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

Applications to use the space for advertising are channeled through advertising agencies. As of March 31, 2014, the Company had designated 71 such agencies for this purpose.



Event held in Tokyo

### 3. Japan Post Business Performance

#### I Postal Service Business Performance

##### 1 Consigned Volume of Mail in Fiscal 2014

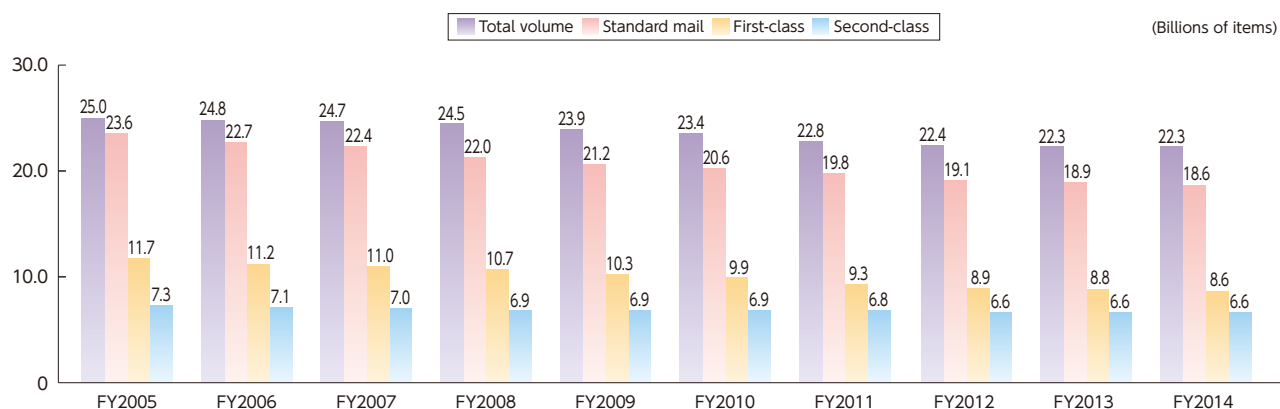
(Unit: 1,000 items, %)

Category	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Volume	Year-on-year change	Volume	Year-on-year change	Volume	Year-on-year change
Total	22,363,354	(1.8)	22,345,745	(0.1)	<b>22,324,419</b>	<b>(0.1)</b>
Mail	19,107,908	(3.6)	18,862,295	(1.3)	<b>18,571,775</b>	<b>(1.5)</b>
Domestic	19,058,414	(3.5)	18,814,393	(1.3)	<b>18,524,615</b>	<b>(1.5)</b>
Standard mail	18,598,039	(3.6)	18,351,697	(1.3)	<b>18,054,960</b>	<b>(1.6)</b>
First-class	8,912,926	(4.4)	8,797,746	(1.3)	<b>8,569,925</b>	<b>(2.6)</b>
Second-class	6,647,687	(2.2)	6,608,692	(0.6)	<b>6,640,507</b>	<b>0.5</b>
Third-class	274,843	(7.7)	252,744	(8.0)	<b>241,483</b>	<b>(4.5)</b>
Fourth-class	23,559	(1.9)	21,685	(8.0)	<b>21,484</b>	<b>(0.9)</b>
New Year's postcards	2,677,489	(4.8)	2,612,749	(2.4)	<b>2,532,433</b>	<b>(3.1)</b>
Election mail	61,534	22.3	58,081	(5.6)	<b>49,128</b>	<b>(15.4)</b>
Special mail	460,376	0.5	462,696	0.5	<b>469,655</b>	<b>1.5</b>
International (dispatched)	49,493	(8.6)	47,901	(3.2)	<b>47,160</b>	<b>(1.5)</b>
Standard mail	39,627	(9.7)	37,840	(4.5)	<b>34,548</b>	<b>(8.7)</b>
Parcels	1,297	(7.5)	1,293	(0.3)	<b>1,797</b>	<b>39.0</b>
EMS	8,569	(3.4)	8,768	2.3	<b>10,815</b>	<b>23.3</b>
Parcels	3,255,446	9.7	3,483,450	7.0	<b>3,752,644</b>	<b>7.7</b>
Yu-Pack	383,298	10.5	382,206	(0.3)	<b>428,437</b>	<b>12.1</b>
Yu-Mail	2,872,148	9.6	3,101,244	8.0	<b>3,324,206</b>	<b>7.2</b>

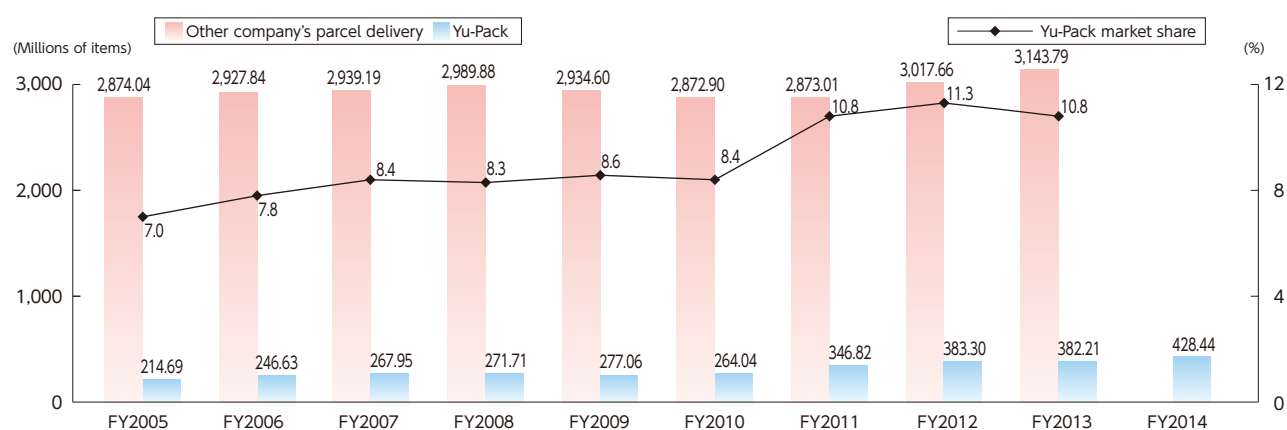
Notes: 1. Sums of individual items may not match totals due to rounding.

2. The number of Yu-Pack parcels includes EXPACK parcels. EXPACK service was discontinued at the end of March 2010.

## 2 Total Consigned Volume of Mail

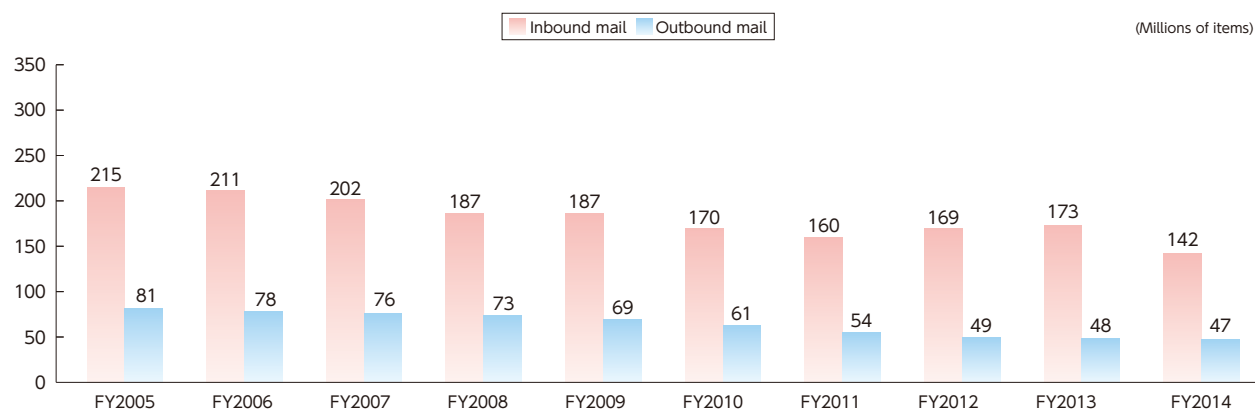


## 3 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share



Notes: 1. Fiscal 2014 other companies' parcel delivery volume has not yet been announced (as of June 30, 2014).  
2. The number of Yu-Pack parcels includes EXPACK parcels.

## 4 Volume of International Mail





## 5 Daily Mail Delivery Volume and Points

	Fiscal 2009	Fiscal 2011	Fiscal 2014
Daily mail delivery volume	About 68 million items	About 64 million items	About 62 million items
Daily delivery points	About 32 million points	About 31 million points	About 31 million points

Note: No surveys for fiscal 2010, 2012 and 2013 have been implemented.

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

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

All post offices display a Postal Delivery Time Table (Service Level

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

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

	Fiscal 2012	Year-on-year change	Fiscal 2013	Year-on-year change	Fiscal 2014	Year-on-year change
Nationwide average	98.6%	0.1%	98.5%	(0.1%)	<b>98.6%</b>	<b>0.1%</b>
For mail within the same prefecture	99.0%	0.1%	98.9%	(0.1%)	<b>99.0%</b>	<b>0.1%</b>
For mail to a neighboring prefecture	97.8%	(0.2%)	98.0%	0.2%	<b>98.0%</b>	<b>0.0%</b>
For mail to other prefectures	98.1%	0.1%	97.8%	(0.3%)	<b>98.0%</b>	<b>0.2%</b>

Note: The percentage of New Year's postcards accepted by December 25, 2013 and delivered on January 1, 2014 reached 99.7% as compared to the target figure of 99.5%.

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

#### ■ Documentary Stamp Sales

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

(Millions of yen)

Category	Fiscal 2012	Fiscal 2013	Fiscal 2014
Revenue stamps	778,400	800,178	<b>829,309</b>
Automobile weight tax documentary stamps	781,412	693,228	<b>666,614</b>
Unemployment insurance documentary stamps	470	478	<b>480</b>
Health insurance documentary stamps	3,355	3,496	<b>3,255</b>
Patent documentary stamps	95,057	91,359	<b>91,711</b>
Registration documentary stamps	—	—	—
Total	1,658,694	1,588,739	<b>1,591,369</b>

Note 1: Figures shown are gross sales for each category of documentary stamp. These proceeds are submitted to the Japanese national government after deduction of handling fees (including consumption and other taxes). The handling fee is 5.25% for unemployment insurance and health insurance documentary stamps and 3.15% for all other documentary stamps (including consumption tax).

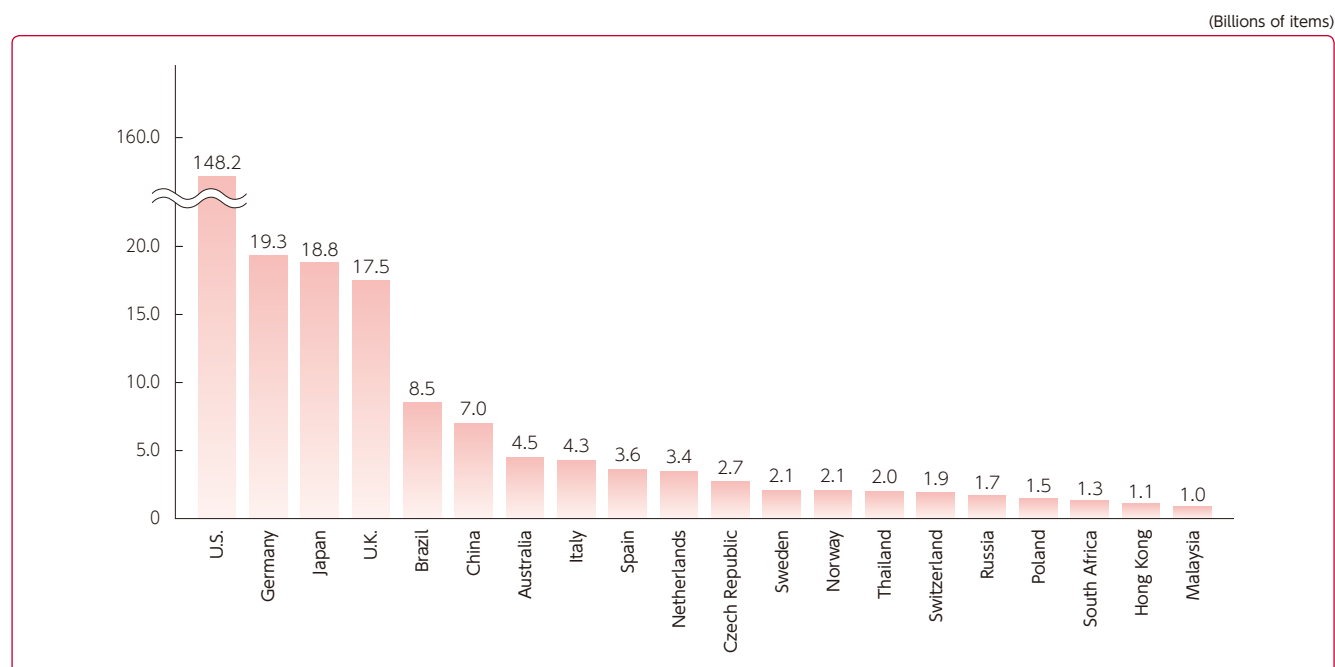
Sale of registration documentary stamps for the Japanese national government was discontinued at the end of fiscal 2011.

Note 2: Documentary stamp sales were consigned to the former Japan Post Service until September 2012.



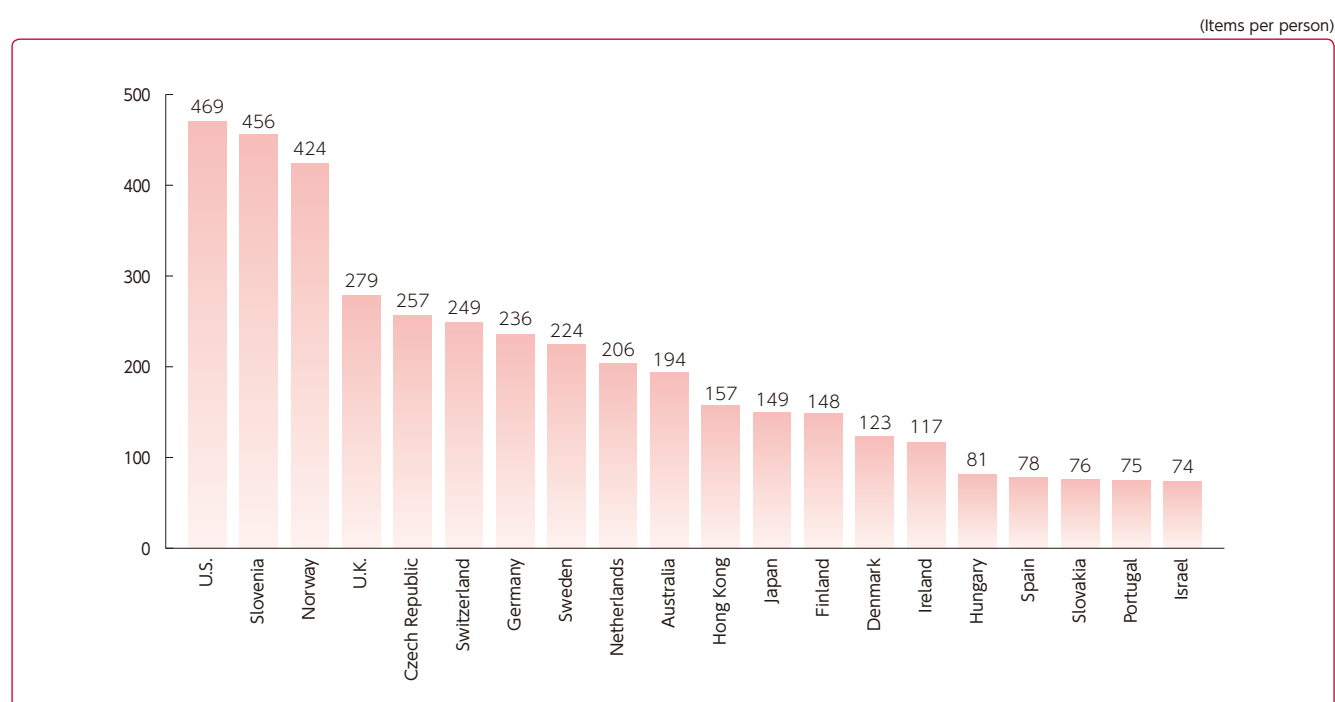
## Reference: Postal Services in Other Countries

### 1. Volume of Mail Received (Top 20 Countries in 2012)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2012)  
2. "Mail volume" is the total for all domestic mail items.

### 2. Annual Mail Volume Per Capita (Top 20 Countries in 2012)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2012)  
2. "Mail volume" is the total for all domestic mail items.

## Reference: International Comparison of Postage Rates

### ■ Comparison of Domestic Postage Rates

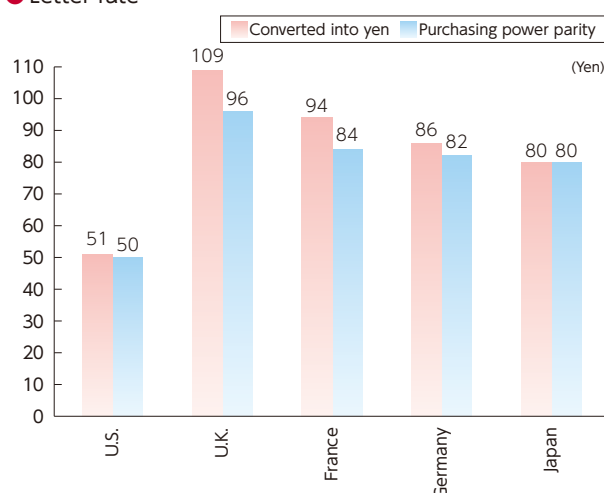
Domestic postage rates (letters and postcards) in Japan are generally lower than major European countries (U.K., France, Germany).

In the United States, postage rates for both domestic letters and

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

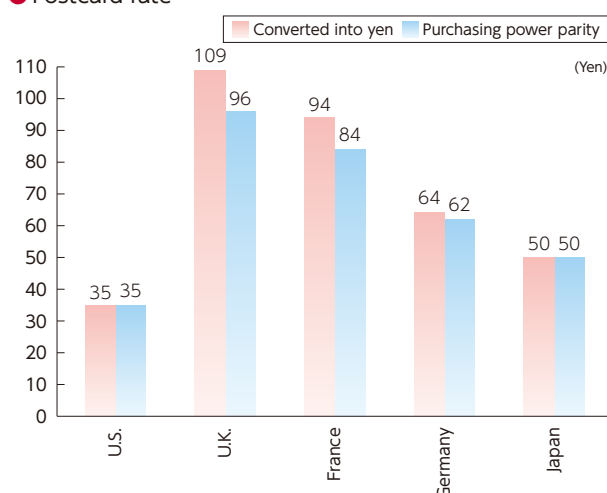
### ■ Comparison of Domestic Letter and Postcard Postage Rates in Selected Countries

#### ● Letter rate



Prepared by Japan Post Co., Ltd. from various publicly disclosed materials

#### ● Postcard rate



Prepared by Japan Post Co., Ltd. from various publicly disclosed materials

	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.49	£0.62	€0.66	€0.60	¥80
Yen equivalent	¥51	¥109	¥94	¥86	¥80
Purchasing power parity	¥50	¥96	¥84	¥82	¥80

	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.34	£0.62	€0.66	€0.45	¥50
Yen equivalent	¥35	¥109	¥94	¥64	¥50
Purchasing power parity	¥35	¥96	¥84	¥62	¥50

Notes: 1. Only Japanese postage rates include consumption tax.  
 2. Yen conversions use the exchange rate as of March 31, 2014 (Bank of Tokyo-Mitsubishi UFJ TTS rate).  
 3. Purchasing power parities use exchange rates that make price levels equal in Japan and the other countries. Calculations are based on Purchasing Power Parities (2013 average OECD Main Economic Indicators).

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥103.92	¥103.00
£1 (U.K.)	¥175.31	¥154.18
€1 (France)	¥143.15	¥127.23
€1 (Germany)	¥143.15	¥137.00

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

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

for mail sent from Japan are cheaper in all cases.

	Letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	—	¥110	—	¥70
U.S. to Japan	\$1.15	¥120	\$1.15	¥120
U.K. to Japan	£2.15	¥377	£0.97	¥170
France to Japan	€1.78	¥255	€0.98	¥140
Germany to Japan	€1.50	¥215	€0.75	¥107

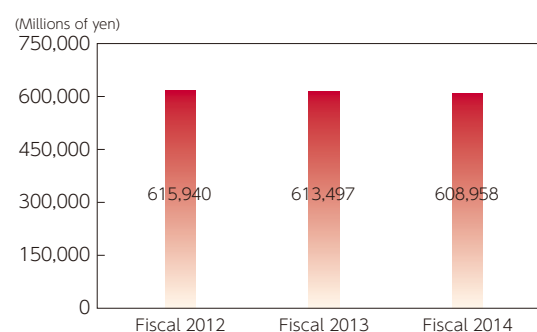
Note: Yen conversions use the exchange rate as of March 31, 2014 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

## II Post Office Business Performance

### 1 Postal Operating Revenues

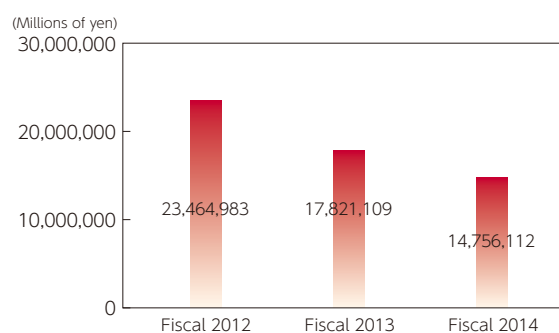
Of the services such as mail and Yu-Pack provided by Japan Post, total sales handled at the counters of post offices are as follows.

Note: Total sales handled through former Japan Post Network.



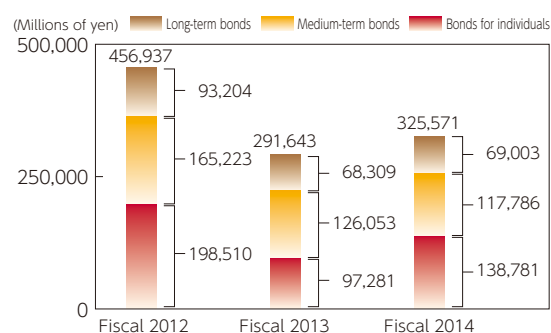
### 2 TEIGAKU and Time Deposits Handled

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



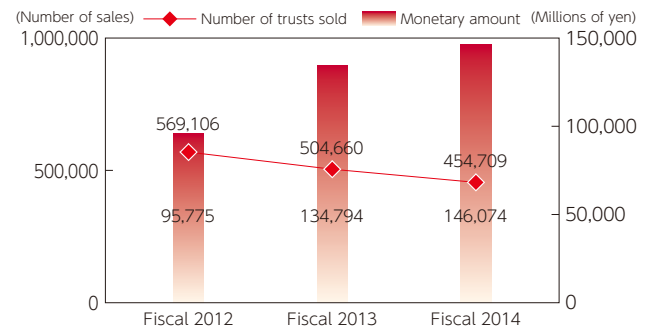
### 3 Sales of Japanese Government Bonds

Of the Japanese Government Bonds sold by Japan Post Bank, total sales handled through Japan Post are as follows.



## 4 Investment Trust Sales

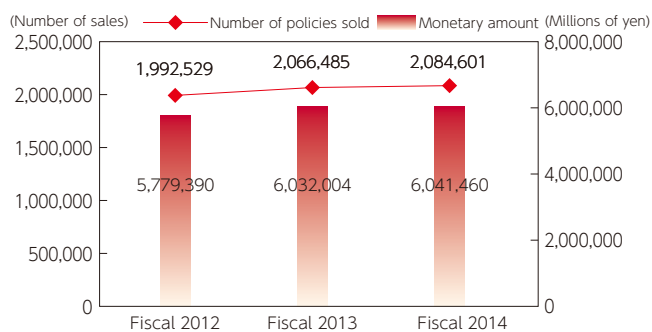
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post are as follows.



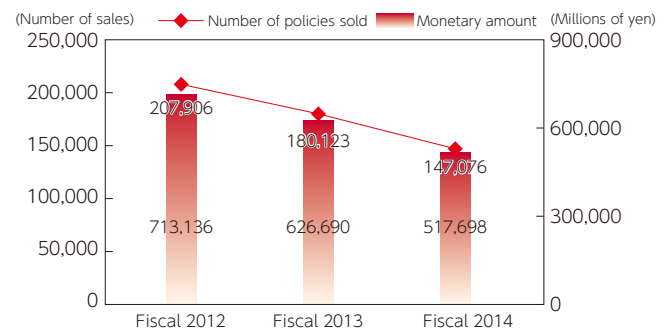
## 5 Life Insurance and Annuity Sales

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

### Individual Insurance

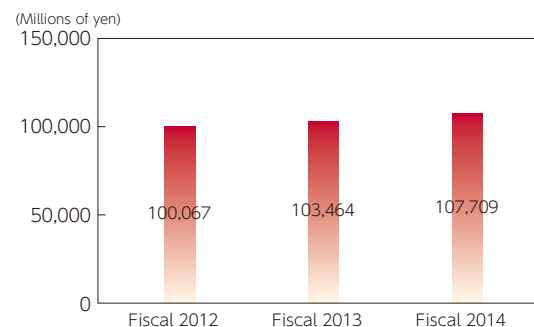


### Individual Annuities



## 6 Merchandise Business

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





## 2. Operations of Japan Post Bank



Yoshiyuki Izawa

Representative Executive Officer (President & CEO)  
Japan Post Bank Co., Ltd.

### Message from the Company



It is my pleasure to address all stakeholders in this message.

The Japan Post Group aims to be “an integrated lifestyle-support corporate group” that supports every aspect of customers’ daily lives. As a member of the Japan Post Group, Japan Post Bank will continue working hard to provide reliable financial services as the most accessible bank in Japan for customers in every region through the post-office network.

#### Review of Fiscal 2014

##### Economic Environment and Business Performance in the Fiscal Year Ended March 2014

In the year ended March 31, 2014, the global economy continued to show signs of recovery, primarily in developed countries. The U.S. economy continued to experience moderate growth, and an upturn in the European economy became evident. Meanwhile, the Chinese economy expanded at a gradual pace.

The Japanese economy also grew at a moderate pace. As corporate earnings improved, capital investment rebounded and public works spending increased. Consumer spending and housing investment trends held

firm against a backdrop of improving employment and income levels. In addition, demand surged towards the end of the fiscal year ahead of the increase in Japan’s consumption tax rate.

The financial market saw a temporary increase in the volatility of domestic long-term interest rates (10-year Japanese Government Bond (JGB) yield), after the Bank of Japan introduced quantitative and qualitative monetary easing in April 2013. Thereafter, interest rates stabilized gradually and have remained at around 0.6% since the turn of the year. The foreign exchange and stock markets saw a continued trend toward depreciation of the yen and appreciation of stock prices until the end of the year. The markets have remained mostly flat since then with some ups and downs along the way, reflecting in part stronger risk aversion toward emerging markets among investors and other factors.

Under these economic circumstances, I am pleased to report that the Bank worked positively to diversify earnings sources and reduce costs, although interest income declined due to a continuation of low interest rates. As a result, we successfully earned net income of ¥354.6 billion for the year ended March 31, 2014, which exceeded our earning forecasts.



## Initiatives in the Fiscal Year Ended March 2014

During the past fiscal year, we made steady progress strengthening our business base by pushing on with the following measures under our goal, "No. 1 in customer satisfaction," which was defined as an ambitious theme for all of the Bank's employees to embrace.

On the sales and marketing front, through cooperation with the post offices of Japan Post Co., Ltd., we strove to increase accessibility of our products and services among younger customers such as university students and young adults entering the workforce, and to reinforce relationships with existing customers. In parallel, we endeavored to enhance products and services to respond to various customer needs. Specifically, we launched new initiatives such as starting seminars during evening hours and on weekends and holidays, in addition to expanding and upgrading our lineup of investment trusts following the inception of the Nippon Individual Savings Account (NISA) system. For corporate customers, we worked to bolster marketing capabilities mainly by bringing the entire Japan Post Group together to comprehensively propose various types of services.

In terms of investment, we continued to diversify our investment categories, revenue sources and disperse business risk. This was based on appropriate control of risk by improving the sophistication of asset-liability management (ALM) in mainly investment in JGBs. At the same time, we worked to further develop our risk management and credit assessment systems.

Furthermore, we continued to enhance our internal control under our rigorous policy of "Compliance First." While continuing to put procedures in place for refusing relationships with anti-social forces, we reinforced online security for "JAPAN POST BANK Direct," our Internet service, to ensure that customers can use this service securely and with confidence. We also strove to refine our crisis management system so we are prepared for a major natural disaster.

Having positioned the development of human resources as one of our most important management themes, we worked to further strengthen training programs, on-the-job training (OJT) and other measures. At the same time, we advanced bank-wide 'Business Process Re-engineering' (BPR), primarily by utilizing IT and raising operational efficiency. These efforts were directed at enhancing productivity and reducing costs.

## Issues for the Future

### Initiatives and Issues in the Fiscal Year Ending March 2015

We have set the following three basic policies for the year ending March 2015: emphasize the public service and region-focused nature of our operations; respond to various financial needs of customers; and secure stable income. Guided by these policies, we will work on the following themes to make steady progress toward strengthening our earnings capacity and business base using the post-office network.

### Sales Strategies

We will endeavor to increase total deposits, strengthen

fee-based businesses, and enhance corporate relationship by upgrading various types of products and services, so that we can meet a wide array of customer needs. At the same time, we will cooperate more closely with post offices to make the Bank accessible to numerous customers via the post-office network across Japan. We will continue to focus on human resources development initiatives for employees by upgrading various training programs, with the aim of providing higher quality services.

We will also do our utmost to ensure steady earnings by exploring the development of new services that take full advantage of the Japan Post Group's integrated strengths.

### ALM Strategy

While keeping an eye on global economic trends, financial policies and other factors, we will strive to secure more stable earnings through the broadening of investment categories based on appropriate risk management according to market conditions. We will also work to strengthen foreign currency procurement and portfolio management systems and upgrade risk management and credit assessment systems by sophisticating our risk-monitoring and credit evaluation.

### Internal Control Procedures

Under the rigorous policy "Compliance First," we will continue striving to foster stronger compliance awareness. In addition, we will continue to forge steadily ahead with our business improvement plan formulated in response to the Order to Improve Business Operations imposed by the Financial Services Agency in December 2009.

Additionally, we will endeavor to enhance our internal control procedures through such means as continuing to promote measures to refuse relationships with anti-social forces.

Furthermore, we will reinforce online security for our Internet services to ensure that customers can utilize these services with confidence.

### Management Approaches

We will strive to enhance the development of human resources. To this end, we will work to utilize human resources effectively by introducing a new personnel system and making strategic personnel assignments. Efforts will also be made to develop systems and streamline work processes further as part of bank-wide BPR initiatives.

### A Member of the Japan Post Group

The Japan Post Group aims to be "an integrated lifestyle-support corporate group" that supports every aspect of customers' lives through the post-office network.

As a member of the Group, the Bank will seek to capture synergies by fostering closer cooperation with Japan Post Co., Ltd. and harnessing the Japan Post Group's integrated strengths.

While demonstrating strong leadership, we, the top management, will work ambitiously with our staff to be "No. 1 in customer satisfaction," to build up "the most accessible and trustworthy Bank in Japan," and to realize sustainable growth for the years ahead.

# 1. Overview of Operations

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

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

## 1. Products and Services

### ■ Basic Services

Post offices nationwide and Japan Post Bank branches offer basic financial products and services that include such liquid deposits in the form of ordinary deposits and ordinary savings deposits; fixed-term deposits such as *TEIGAKU* deposits and time deposits; and transfer and settlement services that include fund transfers and remittances.

For ordinary, *TEIGAKU* and other deposits at Japan Post Bank, principal of up to ¥10 million and interest are protected per depositor (or the full amount of deposit for transfer deposits) under a deposit insurance system.

At the end of March 2014, Japan Post Bank's total deposits from customers across Japan amounted to ¥176,612.7 billion, or ¥177,734.2 billion including accrued interest at the end of the fiscal period.

As additional services, Japan Post Bank also pays benefits from public pensions, sells Japanese Government Bonds and investment trusts, offers intermediary services, including mortgage loans, and operates a credit card business.

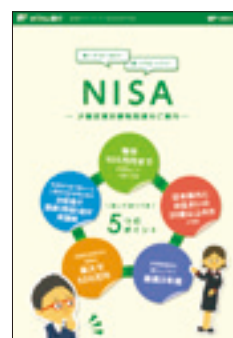
\* The Management Organization for Postal Savings and Postal Life Insurance manages fixed-term deposits established prior to privatization. However, Japan Post Bank is commissioned by that organization to handle withdrawals and other transactions.

### ■ Enhancing Products and Services

#### ● To Satisfy Diversifying Customer Needs for Asset Management NISA-Related Initiatives

In Japan, a new tax exemption scheme for small-amount investments called NISA (short for Nippon Individual Savings Account) was launched in January 2014. The new scheme is expected to encourage asset formation by individuals and invigorate the country's economy by inducing a flow of money from savings into investments. In view of these critical roles that NISA plays, we have been raising customer awareness about the need for asset building and communicating the benefits of NISA via our original leaflet that provides an easy description of how NISA works and through investment trust seminars.

In August 2013 and January 2014, we added to our lineup of products that are suited for the NISA scheme, including risk-controlled funds and funds with annual distributions. We offer a broader range of choice for customers with our extensive lineup now comprising 63 investment trust products.



Catalogue



Pamphlet

#### ● Financial and Life Planning Advice Services Now Available after Business Hours and on Weekends Launched Evening Life Planning Seminars and Weekend Individual Consulting Sessions (Free of Charge)

For customers who do not have access to our services during business hours on weekdays, 17 Japan Post Bank branches nationwide started providing financial and life planning advice services in February 2014 through evening seminars and weekend individual consulting sessions. We plan to gradually increase the number of branches holding these seminars and sessions in the future.

##### \* Evening life planning seminar

After business hours on weekdays, we hold a mini seminar to help customers design their respective life plans. We also provide an individual consulting service at the request of a customer.

##### \* Weekend individual consulting session

On weekends, sales counter booths in the investment trust section of Japan Post Bank branches are used by their staff to provide individual consulting sessions for customers. They provide answers to customers' questions and concerns related to means of asset management and funds for life after retirement.

\* We provide the latest information on branches providing these seminars and consulting sessions on the Japan Post Bank website.

Schedule of Seminars and Consulting Sessions:

[http://www.jp-bank.japanpost.jp/kojin/sonaeru/kj\\_sn\\_seminar.html](http://www.jp-bank.japanpost.jp/kojin/sonaeru/kj_sn_seminar.html)



Evening life planning seminar

## TOPICS

### One-Time Password Tokens Enhance Customer Security

In June 2014, we started providing one-time password tokens free of charge to customers who use JAPAN POST BANK Direct (our online banking services).

The token is a small electronic device that displays a new one-time password every minute. The device provides an extra layer of security against cybercrimes that use malware to divert users to a fake website and steal personal identification numbers and passwords to gain illegal access to their bank accounts.



- This token ensures security by generating a new one-time password every minute.
- The device is easy to use, only requiring users to enter the specific one-time password shown on the token for money transfers via for JAPAN POST BANK Direct (our online banking services).
- Requires no application or usage fees.

\* The charge for replacing a lost token is ¥1,080.

\* For more details on this security token, please visit our official website.

About One-time Password Tokens:

[http://www.jp-bank.japanpost.jp/direct/pc/security/dr\\_pc\\_sc\\_token.html](http://www.jp-bank.japanpost.jp/direct/pc/security/dr_pc_sc_token.html)

## 2. Asset Management

With our focus maintained on investment in Japanese Government Bonds, we worked to secure stable periodical income while performing appropriate control of interest rate risk. Besides investing in Japanese local government bonds and providing loans to local governments, both of which serve to invigorate the regional economy, we continued to promote diversification of revenue sources through such measures as investing in Japanese corporate bonds and foreign securities and participating in syndicated loans.

## 2. Products and Services

(As of July 1, 2014)

### 1. Deposits

#### Liquid deposits

##### Ordinary deposits

These deposits are useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and automatic receipt of pension payments, and many other purposes.

- Unlimited deposits and withdrawals
- Deposit amount: ¥1 or more, ¥1 unit

##### Ordinary savings deposits

These deposits provide more beneficial interest rates than ordinary deposits for balances of ¥100,000 or higher. (Interest rates may be the same as the one for ordinary deposits depending on the interest rate trends.)

- Unlimited deposits and withdrawals
- Deposit amount: ¥1 or more, ¥1 unit

#### Fixed-term deposits

##### TEIGAKU deposits

These deposits can be withdrawn at any time after six months and held for up to ten years, with interest compounded semiannually. The initial interest rate is applicable until withdrawal.

- Deferment period: Six months (unlimited withdrawals after this period)
- Deposit amount: ¥1,000 or more, ¥1,000 unit  
(Eight types: Deposits of ¥1,000, ¥5,000, ¥10,000, ¥50,000, ¥100,000, ¥500,000, ¥1 million, and ¥3 million)

##### Time deposits

These deposits have maturities that can be selected based on short-term and medium-term requirements for funds and personal needs. The extension procedure is simplified if automatic extensions are selected, making this deposit convenient for people with busy schedules.

- Deposit periods: One month, three months, six months, one year, two years, three years, four years, and five years (excluding one month deposits kept in deposit combined accounts)
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Automatic-accumulation TEIGAKU deposits/time deposits (Accumulation-type deposits)

For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a TEIGAKU deposit or time deposit. These automatic-accumulation deposits also allow funds to be deposited only in specifically designated months up to six times per year. Funds deposited in specifically designated months can also be combined with funds deposited regularly every month.

- Accumulation period: Six years or less
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Time deposits with lump-sum payment at maturity (Accumulation-type deposits)

For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a time deposit. At a pre-designated date (date for receiving a lump-sum payment at maturity), the accumulated deposits are transferred to an ordinary deposit. This type of deposit allows systematic accumulations in accordance with a person's future goals.

- Accumulation period: From one year up to three years
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Asset accumulation TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for three years or longer to help working people build assets.

- Duration: Three years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Asset accumulation pension TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to help working people live comfortable lives in retirement. Interest is tax exempt and can be received from age 60 based on a pension-type payout method.

- Duration: Five years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Asset accumulation home TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to accumulate funds for building, purchasing or renovating a home. Interest is tax exempt.

- Duration: Five years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### New welfare time deposits (Others)

This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor and other similar public pensions and other eligible persons. Up to ¥3 million can be deposited.

- Deposit period: One year
- Deposit amount: From ¥1,000 or more, ¥1,000 unit, up to ¥3 million per depositor

## Also Convenient

### ● All-in-one general accounts useful in daily lives

General accounts allow customers to manage ordinary, *TEIGAKU*, time and other deposits in one account and serve as customers' personal wallets that are conveniently available at post offices as well as Japan Post Bank branches and ATMs nationwide.

### ● Also convenient as accounts to receive salaries

A nationwide network of Japan Post Bank branches and post offices ensures convenience and security for customers at every opportunity, including when they are on a business trip.

Japan Post Bank ATMs are available 365 days a year with no withdrawal fees.

### ● Automatic deduction feature for quick and easy payment of utility and other bills

A worry-free automatic and continuous deduction feature is available to pay utility bills, mobile phone charges, rent and other expenses from ordinary deposits.

### ● Japan Post Bank ATMs of Japan Post Bank conveniently located throughout Japan

We operate approximately 26,700 ATMs throughout Japan. These ATMs charge no fees for deposits and withdrawals to and from Japan Post Bank accounts 365 days a year. Sending money from ATMs (electronic transfers) between Japan Post Bank accounts is also free of charge (until September 30, 2016).

## 2. Domestic Remittances

### Remittances

Remittances provide a simple and low-cost method for sending money anywhere in Japan.

There are two types: ordinary remittances and postal orders (*TEIGAKU KOGAWASE*).

#### Ordinary remittances

Ordinary remittances allow cash to be exchanged for a money order that is sent to the recipient payee. The payee can then bring the certificate to a nearby Japan Post Bank branch or post office postal deposit counter and exchange the money order for cash.

#### Postal orders

The mechanisms for these remittances are the same as for ordinary remittances. However, postal orders offer lower fees and convenience when remitting small amounts. There are 12 types of money orders for postal orders in denominations of ¥50, ¥100, ¥150, ¥200, ¥250, ¥300, ¥350, ¥400, ¥450, ¥500, ¥750 and ¥1,000.

### Fund transfers

Fund transfers provide an easy and reliable means of sending money by using a transfer account.

In-payment and out-payment can be handled normally or by electronic transfer for urgent transfers.

#### In-payment

In-payment remittances by persons not holding a transfer account can be sent to persons holding transfer accounts (account holders).

#### Electronic transfers

Persons holding a transfer account (account holders) can send deposits in the transfer account to a transfer account held by another person.

#### Transfers

Persons holding a transfer account (account holders) can transfer funds to persons holding a savings account at another financial institution.

#### Out-payment

Persons holding a transfer account (account holders) can send funds to persons not holding a transfer account.

### 3. International Remittances

#### Account transfer

The remittance amount and fee is withdrawn from the remitter's integrated account or giro account and deposited to an overseas-payee's bank or postal giro account.

#### Payment to account

The remittance amount and fee is paid in cash and deposited to an overseas-payee's bank or postal giro account.

#### Payment to address

The remittance amount and fee is paid in cash, and the money order is delivered to the payee's address. The payee can then cash the money order at their local post office. Only in the case of remittances to the United States is a money order issued to the remitter, after which the remitter sends the money order to the payee by international mail, etc.

### 4. Individual Loans

#### Loan intermediary service

Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans and card loans offered by Suruga Bank Ltd. based on an alliance with this bank. Customers can apply for these loans at selected Japan Post Bank branches by telephone or via the Internet.

##### *Yume Butai* home loan

This line features 15 types of home loans matched to the lifestyle of each individual, including persons operating sole proprietorships, working women and seniors thinking ahead to the retirement stage of their lives. These home loans can be used for building a new home, expanding and renovating an existing home, moving to a new home and refinancing.

##### *Yume Koro* free loan

This line of loans is available in two types: a "purpose" type and a "parental-devotion" type. The "purpose" type is available in amounts of up to ¥5 million and is offered in seven plans that are matched to the particular life stage of each person, including education, automobile and renovation plans. The "parental-devotion" type is available in amounts of up to ¥10 million, which can be used such expenses as family members' nursing care.

##### *Shitaku* Card Loan

Borrowing and repayment can be made directly from ATMs with this card loan. No collateral is needed, and loans of up to ¥5 million are available (¥3 million for the first application).

### 5. Investment Products

#### Japanese Government Bonds (JGBs)

Sales of JGBs to be sold (two-, five- and ten-year maturities) and nonmarketable JGBs for individual investors (three- and five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds

#### Investment trusts

Sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions

#### Variable annuities

Intermediary services for sales of insurance products such as variable annuities



## 6. Credit and Debit Card Services

### Credit cards (JP BANK CARD)

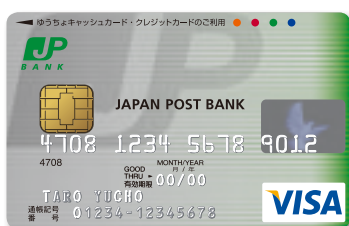
Japan Post Bank issues the JP BANK CARD, which is both an ATM card and a credit card (available in three types: Visa, MasterCard and JCB).

In addition to another combo card lineup, JP BANK VISA Card ALente and JP BANK JCB Card EXTAGE, for young generation customers aged 18 to 29 (excluding high school students), we provide the JP BANK Gold VISA Card, JP BANK Gold MasterCard and JP BANK Gold JCB Card with an extensive range of privileges.

We also offer family cards, ETC cards, WAON cards\*1, PiTaPa cards\*1, iD (cell phone) cards\*1 and QUICPay\*2 (card and mobile).

\*1 Visa and MasterCard only

\*2 JCB only



JP BANK VISA Card



JP BANK MasterCard



JP BANK JCB Card



JP BANK VISA Card ALente



JP BANK JCB Card EXTAGE



JP BANK Gold VISA Card



JP BANK Gold MasterCard



JP BANK Gold JCB Card

### Debit Card Services

After customers scan their ATM cards using dedicated terminals and enter their personal identification numbers at locations such as retail electronics stores and supermarkets, purchase amounts are immediately debited from their general accounts (subject to an upper limit).

## 7. Internet Banking Services

### JAPAN POST BANK Direct

This service allows customers to use a PC, smartphone, mobile phone, telephone or facsimile machine to make deposits to *TEIGAKU* deposits and time deposits used as collateral, to initiate electronic transfers (between Japan Post Bank accounts), transfer funds to another financial institution, to perform investment trust transactions and to verify account deposit and withdrawal transactions.



JAPAN POST BANK Direct (PCs)



JAPAN POST BANK Direct (Smartphones)



JAPAN POST BANK Direct (Mobile phones)

### JAPAN POST BANK Investment Trust WEB Premier

A members-only Internet investment trust service, offering new, members exclusive investment products in addition to the existing investment trust products handled by Japan Post Bank. Various exclusive services for members are also available.

## 8. Other Services

### "Japan Post Bank Deposits for International Aid"

"Japan Post Bank Deposits for International Aid" sets aside 20% of interest received on ordinary deposits and ordinary savings (after-tax) for use as contributions toward reducing poverty, improving daily living and protecting the environment in developing countries and regions. These contributions are made via the Japan International Cooperation Agency (JICA) Donation Fund for the People of the World.

### ATM/CD alliance

ATM cards and other eligible cards issued by affiliated financial institutions can be used at Japan Post Bank ATMs, and vice versa.

### JAPAN POST BANK Pay-easy Service

This service enables taxes and various types of fees to be paid through ATMs and JAPAN POST BANK Direct (PCs and mobile phones). The service also immediately reports data concerning completed payments to the recipient financial institution.

### Foreign currency exchange

Exchange services are provided for eight currencies: U.S. dollar, Euro, South Korean won, British pound, Australian dollar, Canadian dollar, Chinese yuan and Swiss franc. (The Chinese yuan can only be exchanged at selected outlets.)

### Traveler's Checks

Traveler's Checks issued only by American Express are exchangeable for Japanese yen. (Sales of traveler's checks have been discontinued.)

### Payment of benefits from pensions and other types of assistance

Japan Post Bank handles the payment of benefits from various pensions and assistance schemes that include the payment of benefits from pensions, senior welfare pensions, national pensions, employees' pensions, mariners' insurance pensions, workers' compensation pension insurance, cover pensions, child-rearing allowances, special child-rearing allowances and mutual aid pensions. Japan Post Bank also provides payments from registered bonds and annual payouts (national tax refunds).

### Collection of fees for public utility and other service payments

Japan Post Bank collects various types of payments. These include payments for national taxes (personal income and corporate taxes); local taxes (local inhabitant taxes and fixed-property taxes); various types of health insurance; pensions (national health insurance, employee's pensions); public housing fees; public utility and service fees such as electricity, gas, water, and NHK public television fees; traffic violation fines; and radio utilization fees.

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

## 3. Japan Post Bank Business Performance

### 1 Key Financial Indicators

(Millions of yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Ordinary revenues	2,234,596	2,125,888	2,076,397
Operating profit (before provision for general reserve for possible loan losses)	495,470	512,808	472,687
Net operating profit	495,470	512,808	472,687
Net ordinary income	576,215	593,535	565,095
Net income	334,850	373,948	354,664
Common stock	3,500,000	3,500,000	3,500,000
Shares outstanding (thousands of shares)	150,000	150,000	150,000
Net assets	9,818,162	10,997,558	11,464,524
Total assets	195,819,898	199,840,681	202,512,882
Deposits	175,635,370	176,096,136	176,612,780
Loans	4,134,547	3,967,999	3,076,325
Securities	175,953,292	171,596,578	166,057,886
Capital adequacy ratio (non-consolidated, domestic standard) (%)	68.39	66.04	56.81
Dividend payout ratio (%)	25.00	25.00	26.50
Employees (persons)	12,796	12,922	12,963

Notes:

1. The balance of deposits including accrued interest at the end of fiscal 2014 is ¥177,734,274 million (¥177,038,298 million at the end of fiscal 2013 and ¥176,430,388 million at the end of fiscal 2012).
2. The capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency of Japan, 2006). Japan Post Bank has applied Japanese domestic Basel III capital adequacy standards since the year ended March 2014.
3. The number of employees excludes Japan Post Bank employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include short-term contract and part-time employees.

### 2 Balances by Type of Deposit

#### 1. Balances at the End of Fiscal Period

(Millions of yen, %)

		March 31, 2012		March 31, 2013		March 31, 2014	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	60,194,830	34.27	59,971,472	34.05	60,200,571	34.08
	Transfer deposits	9,474,107	5.39	10,209,954	5.79	10,925,669	6.18
	Ordinary deposits, etc.	50,309,540	28.64	49,358,959	28.02	48,878,529	27.67
	Savings deposits	411,182	0.23	402,558	0.22	396,371	0.22
	Fixed-term deposits	115,180,951	65.57	115,878,602	65.80	116,157,689	65.76
	Time deposits, etc.	18,426,695	10.49	18,817,949	10.68	14,781,463	8.36
	TEIGAKU deposits, etc.	96,750,382	55.08	97,057,788	55.11	101,374,092	57.39
	Other deposits	259,588	0.14	246,060	0.13	254,519	0.14
	Subtotal	175,635,370	100.00	176,096,136	100.00	176,612,780	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total		175,635,370	100.00	176,096,136	100.00	176,612,780	100.00
International operations	Total	—	—	—	—	—	—
Total		175,635,370	100.00	176,096,136	100.00	176,612,780	100.00
Deposits including accrued interest		176,430,388		177,038,298		177,734,274	

Notes:

1. Liquid deposits = Transfer deposits + Ordinary deposits, etc. + Savings deposits  
Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)
2. Fixed-term deposits = Time deposits, etc. + TEIGAKU deposits, etc. + Special deposits (Savings for housing installments equivalent + Education installment savings equivalent)  
Time deposits, etc. = Time deposits + Special deposits (Time savings equivalent)  
TEIGAKU deposits, etc. = TEIGAKU deposits + Special deposits (TEIGAKU savings equivalent)
3. "Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the Ordinance for Enforcement of the Banking Act.
4. Special deposits represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency, and correspond to postal savings that were passed on to the organization by the former Japan Post.
5. Special deposits (equivalent to ordinary savings) are the portion of deposits received from the Management Organization for Postal Savings and Postal Life Insurance corresponding to savings for time savings, TEIGAKU savings, installment savings, savings for housing installments, and education installment savings that had reached full term and were passed on to the organization by the former Japan Post.

#### 2. Average Balances

(Millions of yen, %)

		Fiscal 2012		Fiscal 2013		Fiscal 2014	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	61,076,039	34.78	60,631,246	34.38	60,550,882	34.21
	Transfer deposits	9,131,582	5.20	9,825,702	5.57	10,591,337	5.98
	Ordinary deposits, etc.	51,525,050	29.34	50,398,750	28.58	49,559,468	28.00
	Savings deposits	419,406	0.23	406,793	0.23	400,075	0.22
	Fixed-term deposits	114,227,838	65.05	115,424,575	65.46	116,144,774	65.63
	Time deposits, etc.	20,309,899	11.56	18,437,969	10.45	16,818,118	9.50
	TEIGAKU deposits, etc.	93,913,747	53.48	96,983,112	55.00	99,324,145	56.12
	Other deposits	271,556	0.15	272,366	0.15	268,336	0.15
	Subtotal	175,575,435	100.00	176,328,187	100.00	176,963,992	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total		175,575,435	100.00	176,328,187	100.00	176,963,992	100.00
International operations	Total	—	—	—	—	—	—
Total		175,575,435	100.00	176,328,187	100.00	176,963,992	100.00
Deposits including accrued interest		176,285,970		177,187,194		177,981,354	

### 3

## Loans by Category

### 1. Balances at the End of Fiscal Period

	(Millions of yen)		
	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,875,315	3,695,308	2,830,118
Overdrafts	221,724	235,189	246,206
Notes discounted	—	—	—
Subtotal	4,097,039	3,930,497	3,076,325
International operations			
Loans on notes	—	—	—
Loans on deeds	37,507	37,501	—
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	37,507	37,501	—
Total	4,134,547	3,967,999	3,076,325

### 2. Average Balances

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,946,754	3,734,255	3,185,218
Overdrafts	216,790	224,637	232,891
Notes discounted	—	—	—
Subtotal	4,163,545	3,958,893	3,418,109
International operations			
Loans on notes	—	—	—
Loans on deeds	39,001	37,506	13,340
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	39,001	37,506	13,340
Total	4,202,546	3,996,399	3,431,450

### 4

## Balances by Type of Securities

### 1. Balances at the End of Fiscal Period

	(Millions of yen)		
	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Domestic operations			
Japanese Government Bonds	144,939,816	138,198,732	126,391,090
Japanese local government bonds	5,735,585	5,806,099	5,550,379
Commercial paper	180,989	548,975	333,979
Japanese corporate bonds	12,665,384	11,304,010	11,050,163
Japanese stocks	900	935	935
Other securities	30,072	30,072	—
Subtotal	163,552,748	155,888,824	143,326,547
International operations			
Other securities	12,400,544	15,707,754	22,731,338
Foreign bonds	9,439,955	11,646,446	14,532,618
Foreign stocks	—	—	—
Subtotal	12,400,544	15,707,754	22,731,338
Total	175,953,292	171,596,578	166,057,886

### 2. Average Balances

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Domestic operations			
Japanese Government Bonds	142,753,072	138,803,297	135,713,497
Japanese local government bonds	5,651,021	5,764,674	5,652,880
Commercial paper	187,641	408,392	552,167
Japanese corporate bonds	12,655,076	11,985,480	11,237,582
Japanese stocks	900	902	935
Other securities	29,999	30,000	29,917
Subtotal	161,277,711	156,992,748	153,186,980
International operations			
Other securities	10,851,851	12,611,611	19,197,622
Foreign bonds	8,124,318	9,821,147	12,929,369
Foreign stocks	—	—	—
Subtotal	10,851,851	12,611,611	19,197,622
Total	172,129,563	169,604,359	172,384,603

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

(Millions of yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Long-term bonds	100,887	73,731	73,867
Medium-term bonds	174,859	134,567	123,770
Bonds for individuals	215,341	106,910	152,288
Total	491,089	315,209	349,927

## 6 Domestic Exchanges

(Millions of yen)

	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	17,200	14,534,436	19,311	15,874,930	21,642	17,697,182
Received	34,617	11,113,645	45,108	12,079,552	53,810	13,621,048

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

## 7 Transfer Deposits

(Millions of yen)

	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,180,919	53,627,980	1,181,903	55,216,110	1,182,252	59,028,061
Transfers	103,055	87,563,532	104,578	85,537,247	107,492	87,321,165
Out-payment	124,372	47,825,119	120,588	48,102,643	123,361	50,848,174

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

(Millions of yen)

	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	2,027	40,064	1,704	39,241	2,023	40,309
Postal orders (TEIGAKU KOGAWASE)	16,155	8,811	16,378	9,101	16,671	9,254

## 9 Foreign Exchanges

(Millions of U.S. dollars)

Fiscal 2012		Fiscal 2013		Fiscal 2014	
Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
397	1,401	390	1,307	372	1,263

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

## 10 Investment Trust Sales (Contract Basis)

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of contracts (thousands)	1,314	1,090	952
Sales amount	177,421	279,187	339,685

	(Millions of yen)		
	March 31, 2012	March 31, 2013	March 31, 2014
Number of investment trust accounts (thousands)	615	622	644
Net assets	902,646	1,016,814	977,638

## 11 Other Businesses

### Credit Cards

	(Thousands)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of cards issued	487	94	70

	(Thousands)		
	March 31, 2012	March 31, 2013	March 31, 2014
Outstanding	2,072	2,081	1,976

### Mortgage Loans (as intermediary)

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Amount of new credit extended	31,504	24,047	24,438

	(Millions of yen)		
	March 31, 2012	March 31, 2013	March 31, 2014
Amount of new credit extended (cumulative)	223,662	247,710	272,148

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

### Variable Annuity Policies

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of policies	13,072	10,259	12,214
Sales amount	66,545	52,865	69,286

	(Millions of yen)		
	March 31, 2012	March 31, 2013	March 31, 2014
Number of policies (cumulative)	31,096	41,355	53,569
Sales amount (cumulative)	156,386	209,251	278,537





### 3. Operations of Japan Post Insurance



Masami Ishii

President, CEO  
Representative Executive Officer  
Japan Post Insurance Co., Ltd.

## Message from the Company



I would like to express my deep appreciation for your kind support for Japan Post Insurance Co., Ltd.

#### Review of Fiscal 2014

Looking back at the year ended March 31, 2014, we obtained approval under the Postal Service Privatization Act and authorization under the Insurance Business Act for our revised educational endowment insurance products in January 2014. Under the name *Hajime no Kanpo*, we commenced sales of these products in April 2014 and held a sales promotion campaign. These products are more savings based compared with our conventional products, available for purchase before birth and have greater appeal as an efficient means of accumulating educational funds.

In order to enhance our customer service, we have

undertaken efforts since the previous fiscal year to verify all claims received after the start of Japan Post Insurance (October 1, 2007) and identify policies that need further notifications of claims. For cases requiring more detailed guidance for customers, we have been providing additional necessary notifications and paying all claims to which policyholders are entitled. Making insurance benefit and other payments that are promised to customers is one of the most important missions of an insurance company. We will continue to seek a higher level of services in the areas of claims payment processing and associated procedures by steadily iterating through the PDCA (plan-do-check-act) cycle.

In July 2013, Japan Post Holdings Co., Ltd., our parent company, and American Family Life Assurance Company of Columbus (Aflac) reached a basic agreement concerning the formation of a business alliance in the field of cancer

insurance.

Under this agreement, we obtained authorization under the Postal Service Privatization Act and the Insurance Business Act in June 2014 regarding sales of Aflac's cancer insurance products at all of our directly managed sales offices and the provision of training and instruction to post offices handling these products.

Fully leveraging this new business alliance, we will enhance the lineup of products offered by post offices and our directly managed sales offices to achieve better customer service and will simultaneously strive to reinforce our already strong ties with post offices.

Amid these circumstances, Japan Post Insurance enhanced its collaboration with Japan Post Co., Ltd. and successfully sold 2,234 thousand individual insurance policies (1.2% increase from the previous fiscal year) for the insured amount of ¥6,559.8 billion (0.7% increase), with both figures reaching the highest levels since privatization.

Looking at financial results, core profit for the year ended March 31, 2014 declined from the previous fiscal year due to the lowering of the standard interest rate (from 1.5% to 1.0%); nonetheless, Japan Post Insurance secured the amount of ¥482.0 billion. Core profit is a basic periodical earnings indicator for life insurance companies. Japan Post Insurance recorded ordinary profit of ¥463.5 billion and net income of ¥63.4 billion.

Meanwhile, the solvency margin ratio, an indicator of the financial soundness of life insurance companies, stood at 1,623.4% (further increasing from 1,467.9% at the previous fiscal year-end). Among liabilities, our internal reserves that combine a contingency reserve and a reserve for price fluctuations amounted to ¥3,203.0 billion (compared with ¥3,206.4 billion at the previous fiscal year-end), thereby continuing to secure a strong financial base.

I would like to express our appreciation again to our customers, who supported the realization of these solid results.

## Future Issues

The Japan Post Group announced on February 26, 2014, the "Japan Post Group Medium-Term Management Plan—New Japan Post Group Network Creation Plan 2016," which covers the period from the fiscal year ending March 2015 to the fiscal year ending March 2017. This medium-term management plan focuses on implementing the following priority measures: 1) making investments for future growth, 2) strengthening our profit-making capabilities, 3) utilizing the network of post offices and providing new services, and 4) renewing our operational structure and building an environment to ensure business continuity.

During the fiscal year ending March 2017, which is the final year of the medium-term management plan, we will celebrate the 100th anniversary of our postal life insurance services. Toward this commemorative year, we will steadily implement these key measures while seeking to move onto a growth path.

Japan Post Insurance has continued to carry out its inherited social mission of "providing basic measures of life with simple procedures for the people of Japan," which was the original goal of Postal Life Insurance when it was created in 1916. In doing so, we will strive to strengthen our management foundation through measures that include further enhancing our customer service under the policy of becoming the "No. 1 Japanese insurance company selected by customers," as well as ensuring the quality of our product solicitation and faithfully making claims payments.

As "an integrated lifestyle-support corporate group," and for attaining even greater corporate value, all employees are joining forces with a united spirit to challenge each difficulty and further strengthen our management base.

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

# 1. Overview of Operations

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

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

## 1. Provision of Insurance Products and Services

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

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

### (1) Agents

Japan Post Insurance utilizes a nationwide supply network of the post offices operated by the newly reorganized Japan Post to provide simple and easy-to-understand products in small amounts and through simple procedures, along with associated services. These products and services provided via post offices primarily target individuals and households.

Japan Post Insurance has also established an Agency Relations Division for 79 directly managed sales offices in major cities throughout the country to support sales promotion, training and development, and administrative affairs to help promote sales.

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

### (2) Directly Managed Sales Offices

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

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

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

## 2. Enhancing Products and Services

### ■ Initiatives for Making Benefit and Other Payments in a Simple, Quick and Accurate Manner

The most crucial mission of an insurance company is to ensure benefit and other payments are made to customers as promised. In order to fulfill this mission faithfully from a customer perspective, we seek to ensure a payment management structure of the highest quality and are undertaking a range of initiatives to make benefit and other payments in a simple, quick and accurate manner.

Specifically, we are working to provide meticulous procedural guidance for policyholders who are filing claims and enhance our insurance notification service by identifying the availability of any additional benefits. We are also promoting the development of specialists who have expert knowledge and skills required to perform benefit settlement assessments through various education and training programs, while implementing a Claim Payment Processing System to increase IT-based support to various business processes. Other efforts include augmenting the functionality of our Service Centers, which play a key role in our claims assessment operations.

### ■ Deployment of a Claim Payment Processing System (SATI)

Implementation of a Claim Payment Processing System (SATI) is regarded as one of the most important measures in reinforcing Japan Post Insurance's payment management structure. With a view to improving customer service through simple, quick and accurate payments of insurance benefits, this system leverages advanced image work flow (IWF) technology to shift the form of our work from one dependent on paper documents to one based on electronic data, as well as to increase overall IT-based business processing support.

We plan to implement the system in a phased manner to all our Service Centers, beginning with the Kyoto Service Center in April 2014. Following system implementation, we also will continue to reinforce our payment management structure by enhancing the PDCA cycle through more and effective use of data in order to ensure even higher operational quality and business processing efficiency.

### ■ New Service to Allow Customers to Specify Account to Receive Benefits

In October 2013, we rolled out a new service to allow customers to specify a financial institution account for receiving benefit and other payments upon the purchase of an insurance product.

Under the new service, policyholders specify their financial institution accounts in advance and receive maturity or living benefits automatically without filing claims. Payments are made to their specified accounts on the day on which these benefits become available for payment.

We will continue to improve our service to ensure simple, quick and accurate payments of insurance and other benefits for all customers.

## ■ Launched Sales of *Hajime no Kanpo* Educational Endowment Insurance

Our educational endowment insurance products, originally launched in September 1971 by the then Ministry of Posts and Telecommunications, have been used by a large number of customers. To respond to their diverse, ever-changing needs, we updated these products and commenced sales of *Hajime no Kanpo* (official names: Educational Endowment Insurance (H24) and Educational Endowment Insurance (H24) (without Premium Protection Agreement)) in April 2014.

These new products are highly savings based compared with our conventional products, and enable customers to efficiently accumulate education funds. With the addition of a new insurance program that covers four years of university, our lineup of educational endowment insurance now responds to a broader range of customer needs.



### TOPICS

#### "Life is Full of Dreams."

In February 2014, we rolled out a corporate advertising campaign featuring young Japanese actress Rena Nonen. Under the catch phrase "Life is full of dreams.", the campaign conveys our wish to help people have a positive attitude.

Our message has been disseminated primarily through TV commercials, as well as via a special page on our website and by putting up posters at post offices nationwide.



## ■ "Comprehensive and Heartfelt Services"

(Enhancement of After-Sales Services for Customers)

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

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

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

## 3. Asset Management

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

### TOPICS

#### Held the 52nd Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

We held the 52nd Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") at 5:50 a.m. on July 28, 2013 at the Athletics stadium in Yabase Sports Park in Akita City, Akita Prefecture, jointly with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation.

Despite the early morning time, about 4,500 people participated, including radio exercise fans from around Japan as well as local elementary school students and their parents. By promoting radio exercises, Japan Post Insurance will continue to support people's health, which is essential for leading a rich and fulfilling life.



## 2. Products and Services

### 1. Types of insurance

(As of April 1, 2014)

Aim of contract	Type of insurance	Subscription age									
		0	10	20	30	40	50	60	70	80	
For those considering lifetime security	Fixed whole life insurance				20 to 65						
For those considering the balance of lifetime security	Whole life insurance with twofold insurance coverage				20 to 60						
	Whole life insurance with fivefold insurance coverage				20 to 55						
For those who want to add <i>Tanoshimi</i> (enjoyment) to lifetime security	Special whole life insurance				20 to 65						
For those who wish to increase security with a minimum burden	Ordinary term insurance			15 to 50							
For those considering both security and maturity	Ordinary endowment insurance	0 to 75									
For those considering both enhanced security and maturity	Special endowment insurance with twofold insurance coverage			15 to 65							
	Special endowment insurance with fivefold insurance coverage			15 to 60							
	Special endowment insurance with tenfold insurance coverage			15 to 55							
For those struggling with illness	Designated endowment insurance					40 to 65					
For those considering making preparations for education funds	Educational endowment insurance (H24)	( <i>Hajime no Kanpo</i> ) 0 to 12									
				18 to 65 (male)							
				16 to 65 (female)							
	Educational Endowment Insurance (H24) (without Premium Protection Agreement)	( <i>Hajime no Kanpo</i> ) 0 to 12									
For those considering a comfortable retirement	Term annuity					45 to 70					
For those who wish to accumulate assets as wage earners	Asset-formation savings insurance			15 to 65							
	Asset-formation housing funding insurance			15 to 54							
	Asset-formation whole life annuity					36 to 54					

\*Subscription age for educational endowment insurance (H24) is shown in pink for insured person and in yellow for policyholders. There is no limit on subscription age for Educational Endowment Insurance (H24) (without Premium Protection Agreement).



## 2. Principal Riders and Provisions

(As of April 2, 2014)

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

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

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



The Japan Post Insurance *Sono hi kara* Hospitalization Rider provides basic insurance coverage that is simple and easy to understand. This rider pays benefits beginning with the first day in the hospital

and covers an extended scope of surgery to match the government health insurance system.

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

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

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

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

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

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

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

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

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

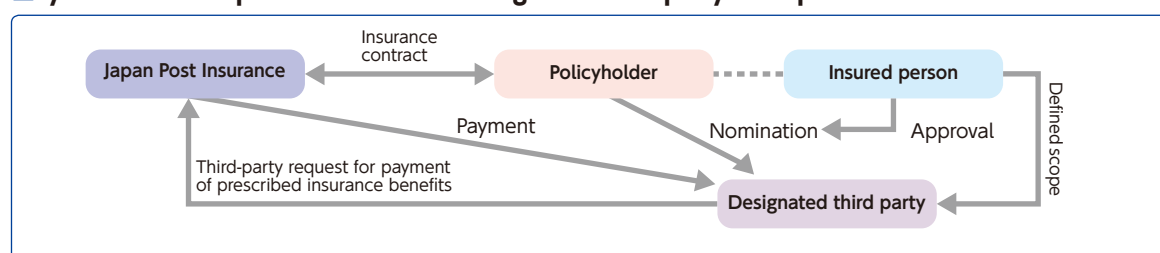
\*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

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

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

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

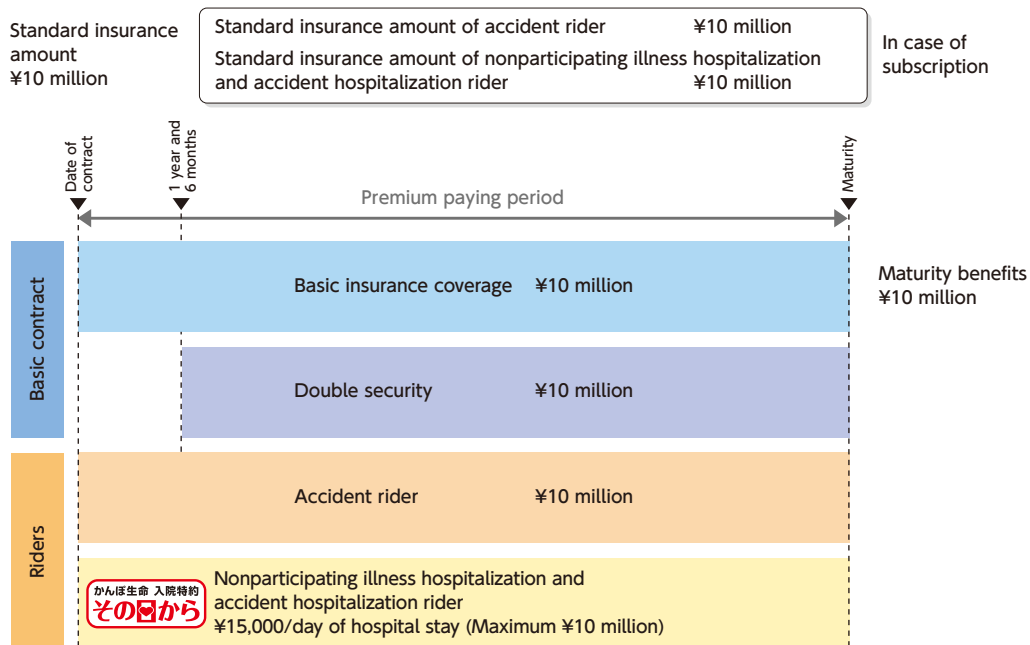
#### ■System with an option that allows a designated third party to request insurance benefits



## Insurance schemes

### ●Outline of endowment insurance schemes

#### Ordinary endowment insurance

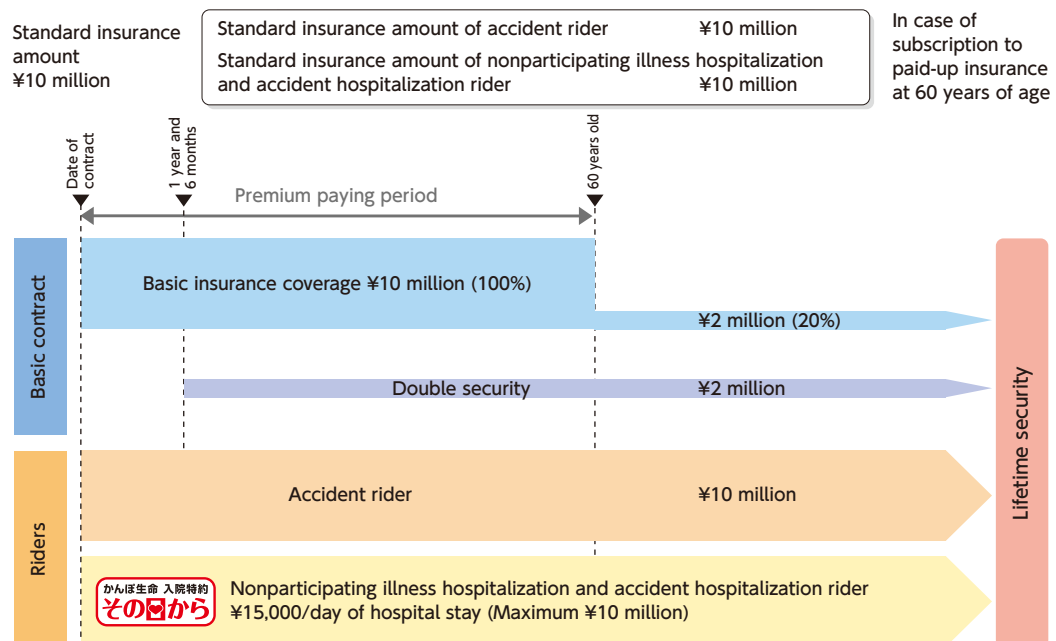


#### Features

- We pay maturity benefits when the term of the insurance has matured while the insured person is still alive and death benefits to a beneficiary when the insured person has passed away during the term of the insurance. (The amount is the same for both maturity and death benefits.)
- Maturity can be set in one-year increments, and insurance premiums will not change until maturity.

### ●Outline of whole life insurance schemes

#### Whole life insurance with fivefold insurance coverage



#### Features

- Payment of death benefits made in case of death of insured person.
- Unnecessary to make insurance payments following maturity of premium paying period.
- Provides lifetime security.
- Death insurance amount following maturity of premium paying period will be equivalent to 20% of the standard insurance amount.

## 3. Japan Post Insurance Business Performance

### 1 Sound Management Indicators

#### 1. Core Profit

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

Japan Post Insurance's core profit for fiscal 2014 was ¥482.0 billion.

**Core Profit ¥482.0 billion**

(Billions of yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Core income (1)	¥ 12,518.8	¥ 11,850.7	¥ 11,240.1
Insurance premiums and other	6,856.4	6,481.7	5,911.6
Investment income (Note 1)	1,541.4	1,500.4	1,458.3
Reversal of policy reserves (Note 2)	4,085.3	3,813.2	3,736.8
Core expenses (2)	11,947.2	11,280.7	10,758.0
Insurance claims and others	11,338.4	10,673.0	10,160.8
Provision for policy reserves and others	13.3	9.0	4.6
Investment expenses (Note 1)	3.0	4.7	5.7
Operating expenses	516.0	512.9	513.0
Core profit ((1)-(2)) A	571.6	570.0	482.0
Net capital gains B	24.1	30.7	61.7
Other one-time profits C	(64.3)	(71.3)	(80.3)
Ordinary profit A+B+C	¥ 531.3	¥ 529.3	¥ 463.5

Notes: 1. Excluding the amount regarding net capital gains

2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others)

Core Profit Breakdown (Three Major Profit Sources)

(Billions of yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Core profit	¥ 571.6	¥ 570.0	¥ 482.0
Spread	(61.5)	(4.7)	54.2
Mortality and morbidity rate margin	381.9	385.2	290.4
Administrative expense margin	251.2	189.5	137.3

#### 2. Solvency Margin Ratio

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

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

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

Japan Post Insurance's solvency margin ratio at the end of fiscal 2014 was 1,623.4%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

**Solvency Margin Ratio  
1,623.4%**

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
Total amount of solvency margin (A)	¥ 4,791.8	¥ 5,000.0	¥ 5,130.0
Capital stock, etc.	1,217.9	1,286.2	1,332.8
Reserve for price fluctuations	458.2	5,22.8	614.2
Contingency reserve	2,783.7	2,683.6	2,588.7
General allowance for doubtful accounts	0.0	0.0	0.0
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	74.4	202.4	238.9
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3.1)	(3.3)	(3.4)
Excess of continued Zillmerised reserve	260.4	308.1	358.5
Capital raised through debt financing	—	—	—
Amounts within "excess of continued Zillmerised reserve" and "capital raised through debt financing" not calculated into the margin	—	—	—
Deductions	—	—	—
Other	—	—	—
Total amount of risk (B)	¥ 717.2	¥ 681.2	¥ 632.0
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Underwriting risk R <sub>1</sub>	177.0	172.9	168.4
Underwriting risk of third-sector insurance R <sub>8</sub>	127.5	113.1	99.9
Anticipated yield risk R <sub>2</sub>	237.5	218.5	198.1
Minimum guarantee risk R <sub>7</sub>	—	—	—
Investment risk R <sub>3</sub>	391.2	380.1	355.8
Business management risk R <sub>4</sub>	18.6	17.6	16.4
Solvency margin ratio (A) / ((1/2) × (B)) × 100	1,336.1%	1,467.9%	1,623.4%

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

### 3. Status of Accumulation of Internal Reserves

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

At the end of fiscal 2014, Japan Post Insurance had a contingency reserve of ¥2,588.7 billion and a reserve for price fluctuations of ¥614.2 billion, a total of ¥3,203.0 billion.

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
Contingency reserve	¥ 2,783.7	¥ 2,683.6	¥ 2,588.7
Limit amount	3,047.9	2,899.4	2,753.1
Reserve for price fluctuations	¥ 458.2	¥ 522.8	¥ 614.2
Limit amount	787.1	775.0	779.6
Total	¥ 3,241.9	¥ 3,206.4	¥ 3,203.0

Total of Contingency Reserve and Reserve for Price Fluctuations ¥3,203.0 billion

### 4. Real Net Assets

Real net assets are calculated by subtracting liabilities, other than the contingency reserve and reserve for price fluctuations and other liabilities with equity characteristics, from total assets measured at market value. The regulatory agency uses real net assets as an indication of an insurance company's financial soundness at the end of a fiscal period. A negative figure may lead to an order to suspend operations or other regulatory actions. (However, such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy reserve-matching bonds is positive and liquid assets have

been set aside).

At the end of fiscal 2014, Japan Post Insurance had a sufficient level of ¥9,442.2 billion in real net assets.

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
Real net assets	¥ 8,083.6	¥ 10,107.4	¥ 9,442.2

Real Net Assets ¥9,442.2 billion

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

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

At the end of fiscal 2014, Japan Post Insurance recorded a net unrealized gain on securities of ¥4,534.4 billion.

We recorded a ¥82.5 billion net unrealized gain on money held in trust and a ¥265.5 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
Net unrealized gains (losses)			
Total	¥ 3,349.4	¥ 5,287.2	¥ 4,534.4
Held-to-maturity securities	2,088.8	3,643.1	3,169.7
Policy-reserve-matching bonds	1,177.7	1,419.1	1,099.1
Available-for-sale securities (before tax effects)	(Note 1) 82.7	(Note 2) 224.9	(Note 3) 265.5
Securities, etc.	82.8	181.6	182.9
Money held in trust	(0.1)	43.3	82.5

Notes: 1. After applying tax-effect accounting, a gain of ¥57.1 billion  
2. After applying tax-effect accounting, a gain of ¥155.7 billion  
3. After applying tax-effect accounting, a gain of ¥184.7 billion

Net Unrealized Gains (Losses) ¥4,534.4 billion

## 6. Risk-Monitored Loans

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

## 2 Policyholders' Dividends

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

For fiscal 2014, we posted provision for reserve for policyholders' dividends of ¥242.1 billion.

- For Japan Post Insurance policies, we accounted for provision for reserve for policyholders' dividends of ¥19.3 billion.
- For postal life insurance policies, we posted provision for reserve for policyholders' dividends of ¥222.8 billion under the reinsurance agreement concluded with the Management Organization for Postal Savings and Postal Life Insurance, based on the performance of the segment related to reinsurance. Policyholders' dividends on postal life insurance policies are determined by the Management Organization.

Provision for Reserve for Policyholders' Dividends    **¥242.1 billion**

## 3 Embedded Value (EV)

Embedded value (EV) is one of the corporate value indicators for life insurance companies.

The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy's duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy's long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth, which reflects gains and losses from business activities in the past, and the value of in-force covered business, which is the present value of the expected future profits from the in-force covered business.

Since fiscal 2013, Japan Post Insurance has been disclosing EV calculated on the basis of the European Embedded Value Principles ("EEV Principles") as additional information supplementary to the

financial data provided under the current statutory accounting practices.

The EV of Japan Post Insurance at the end of fiscal 2014 was ¥3,386.8 billion, an increase of ¥520.5 billion from the end of fiscal 2013.

\*We requested a third party (actuarial firm) with actuarial expertise and knowledge to review the methodology and assumptions used to calculate the EV results and obtained a written opinion verifying the validity. For details of this third party opinion, please refer to our website ([http://www.jp-life.japanpost.jp/aboutus/press/2014/abt\\_prs\\_id000740.html](http://www.jp-life.japanpost.jp/aboutus/press/2014/abt_prs_id000740.html) (written in Japanese)). The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from the assumptions, we strongly recommend that the users exercise caution.

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
EV	¥ 2,812.3	¥ 2,866.2	<b>¥ 3,386.8</b>
Adjusted net worth	1,653.9	2,242.2	<b>2,295.9</b>
Value of in-force covered business	1,158.3	624.0	<b>1,090.9</b>
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Value of new business	¥ 169.2	¥ 181.6	<b>¥ 185.1</b>

Embedded Value (EV)    **¥3,386.8 billion**

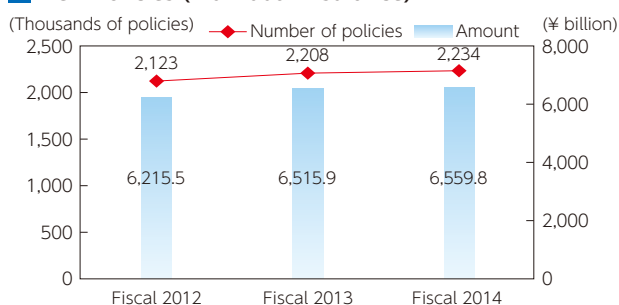
## 4 Insurance Policies

### New Policies and Policies in Force

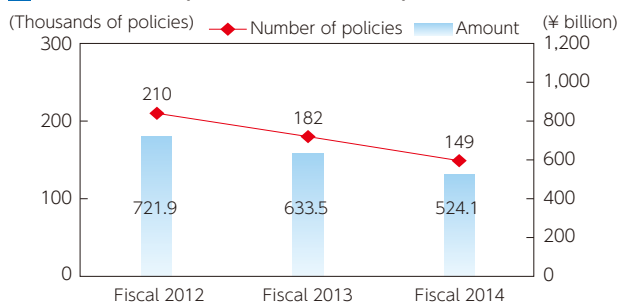
In fiscal 2014, Japan Post Insurance sold 2,234 thousand individual insurance policies with an insured amount of ¥6,559.8 billion, and 149 thousand individual annuity policies with an annuity amount of ¥524.1 billion.

At the end of fiscal 2014, there were 11,668 thousand individual insurance policies, and policies in force totaled ¥33,735.7 billion. There were 1,194 thousand individual annuity policies with an annuity amount of ¥3,443.9 billion.

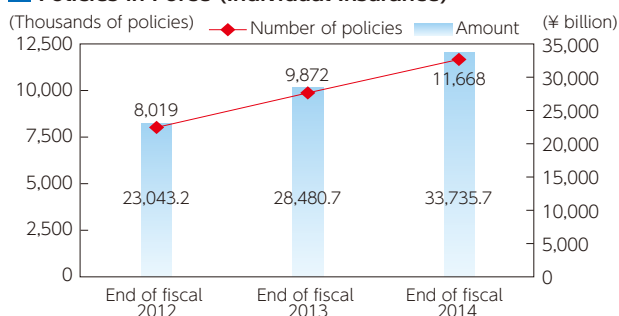
#### New Policies (Individual Insurance)



#### New Policies (Individual Annuities)

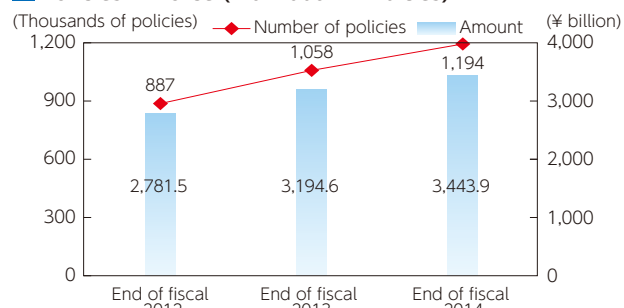


#### Policies in Force (Individual Insurance)

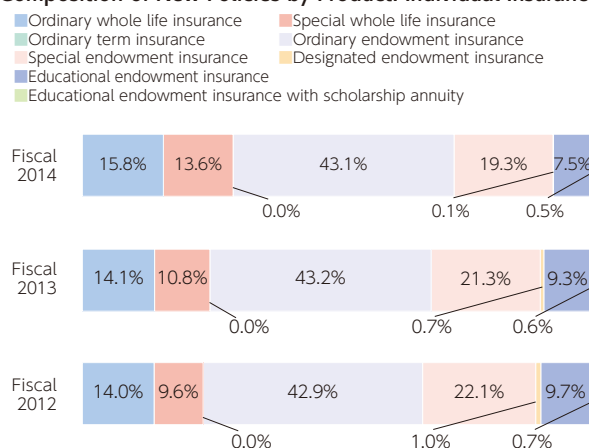


Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 23,196 thousand life insurance policies with an insured amount of ¥63,358.9 billion and 3,396 thousand annuity policies with an annuity amount of ¥1,250.6 billion.

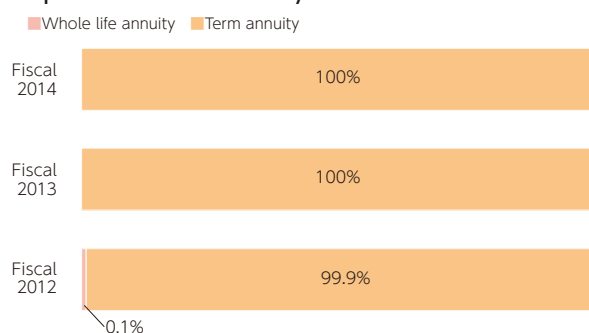
#### Policies in Force (Individual Annuities)



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



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



Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

	End of fiscal 2012		End of fiscal 2013		End of fiscal 2014	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Life insurance	31,016	85,854.2	26,934	73,991.4	23,196	63,358.9
Annuity	4,393	1,628.5	3,878	1,434.6	3,396	1,250.6

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



## 5 Performance Overview

### 1. Assets

At the end of fiscal 2014, total assets of Japan Post Insurance amounted to ¥87.0 trillion, a decrease of ¥3.3 trillion from fiscal 2013 (¥90.4 trillion).

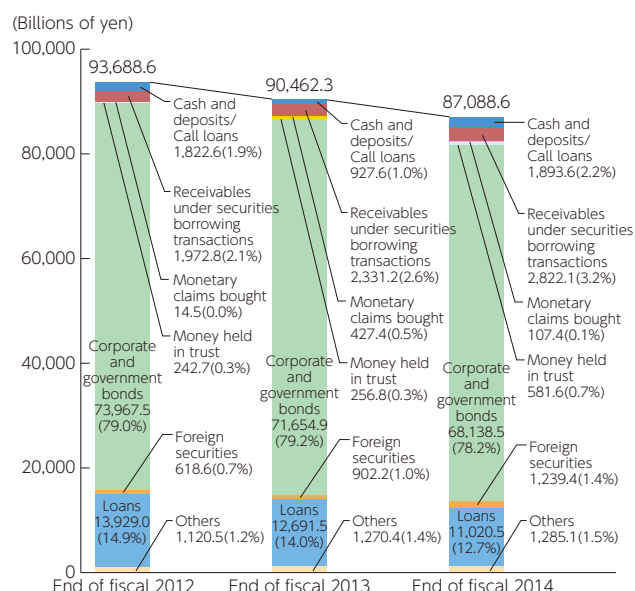
In terms of investment, we continued to invest primarily in yen-denominated interest-bearing assets that provide stable interest income.

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

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

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

#### ■ Composition of Assets



### 2. Asset Management Yield

Careful investment primarily in yen-denominated interest-bearing assets gave Japan Post Insurance an asset management yield of 1.71%.

#### ■ Asset Management Yield

Item	Fiscal 2012	Fiscal 2013	Fiscal 2014
Yield	1.66%	1.67%	<b>1.71%</b>

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

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

#### ■ Holdings of Securitized Financial Instruments

(Billions of yen)

Item	End of fiscal 2012		End of fiscal 2013		End of fiscal 2014	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	434.1	14.5	450.1	22.9	<b>446.9</b>	<b>20.1</b>

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

#### ■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

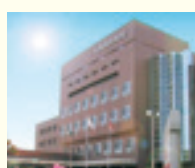
## 4. Other Businesses

### 1. Hospital Business

Japan Post Holdings has established 14 Teishin Hospitals around Japan as corporate hospitals of the Japan Post Group. Teishin Hospitals are open for the use of any member of the public, as well as Group employees and their families, and they provide medical services and medical check-up services, which contribute to the health of everyone in the community. Please refer to page 98 for details including locations.

Notably, Tokyo Teishin Hospital has 477 sickbeds, advanced medical care and medical equipment, and cutting-edge medical research. Approximately 12,000 people utilized medical check-up services during fiscal 2014.

#### List of 14 Teishin Hospitals nationwide



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



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



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



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



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



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



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



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



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



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



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



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



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



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

## 2. Hotel Business

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

Kanpo no Yado inns are available for the use of all persons, in the same way as regular *ryokan* and hotels, regardless of whether guests possess insurance policies of Japan Post Insurance.

These facilities are near tourist spots, with many of them incorporating universal designs throughout bathrooms and guest rooms, thereby ensuring that guests can stay with peace of mind.

Kanpo no Sato inns are lodging facilities where people can enjoy sports and other leisure activities in a natural setting.

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

For details, please refer to pages 99-100.

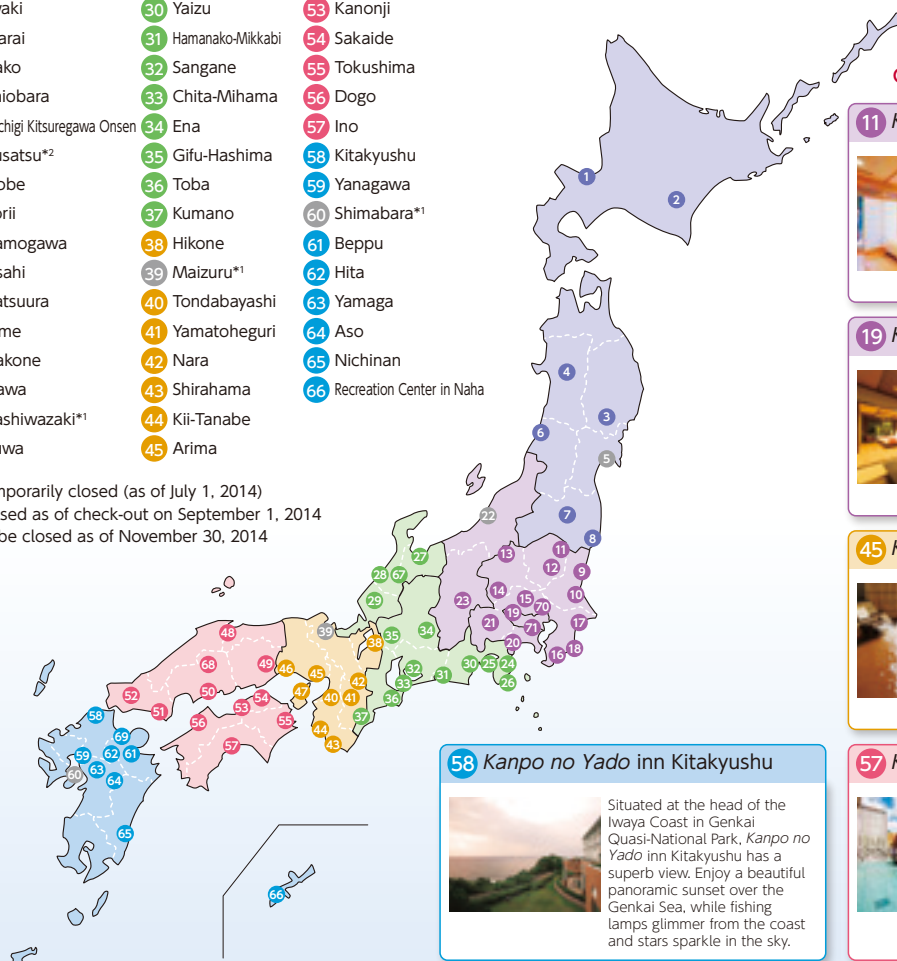
### List of Accommodation Facilities Nationwide

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

\*<sup>1</sup> Temporarily closed (as of July 1, 2014)

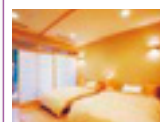
\*<sup>2</sup> Closed as of check-out on September 1, 2014

\*<sup>3</sup> To be closed as of November 30, 2014



#### On our recommendation list:

#### 11 Kanpo no Yado inn Shiobara



Located in Nikko National Park and surrounded by mountains, guests can experience amazing nature during all four seasons at Kanpo no Yado inn Shiobara. Try out various hot springs in the famous Shiobara Hot Springs Village, which has a history dating back about 1,200 years.

#### 19 Kanpo no Yado inn Ome



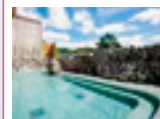
Enjoy the beautiful views of the Mitake Ravine from this riverfront inn overlooking the Tama River. Some of the guestrooms were renewed in fiscal 2014 to ensure even greater comfort.

#### 45 Kanpo no Yado inn Arima



Luxuriate in the red-brown, iron-rich hot water, which directly flows from the well-known *Kinsen* ("gold spring") hot spring on the premises of the inn. Go for a stroll through Arima Onsen, a historical hot springs resort.

#### 57 Kanpo no Yado inn Ino



Enjoy a relaxing view of the clear waters of the Niyodo River from all guestrooms. Soak in a comfortable hot spring high in salinity, and enjoy the exciting local cuisine of Tosa that lavishly uses nature's blessings.

#### 58 Kanpo no Yado inn Kitakyushu



Situated at the head of the Iwaya Coast in Genkai Quasi-National Park, Kanpo no Yado inn Kitakyushu has a superb view. Enjoy a beautiful panoramic sunset over the Genkai Sea, while fishing lamps glimmer from the coast and stars sparkle in the sky.

### 3. Women's Athletics Team

The Japan Post Group established the Japan Post Group Women's Athletics Team in April 2014, making it the first company sports team since its founding.

We aim to develop middle-distance runners with a focus on competing in road relay races (*ekiden*), as well as to contribute to local communities and society through sports activities.

Being mindful of the affinity between postal service that delivers mail and the *ekiden* that passes a sash, we will work on team activities that will gain support from people.



# Dedicated to Becoming an Even More Trustworthy Group

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# 1. Japan Post Group CSR

## 1. Japan Post Group CSR Activities

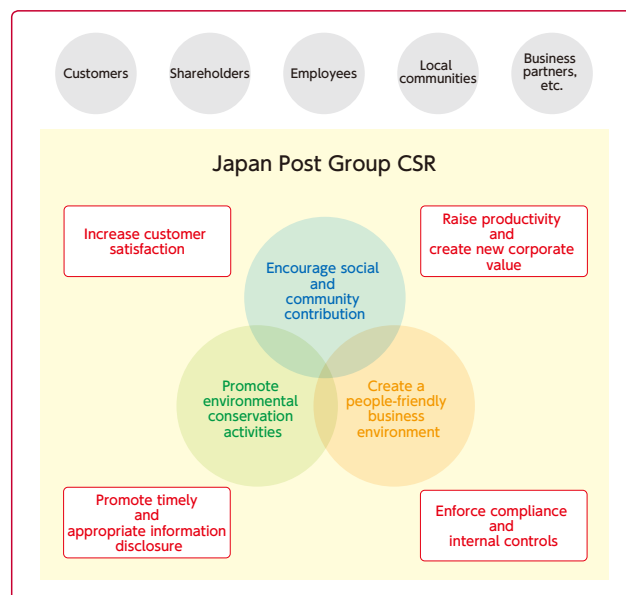
The Japan Post Group has designated seven action areas as issues to be systematically addressed in fulfilling its corporate social responsibility (CSR). These are social and community contribution, environmental conservation, creating a people-friendly business environment, increasing customer satisfaction, compliance, information disclosure and boosting productivity.

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

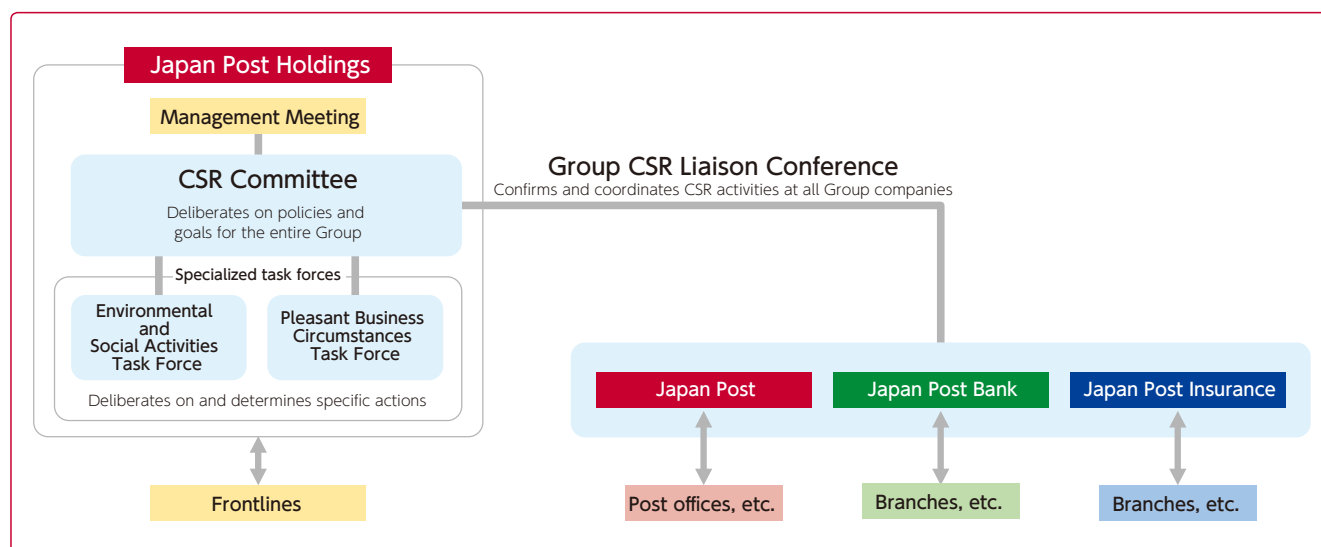
### 1. Seven CSR Issues Including Three Priority Issues

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

The remaining three, namely, encourage social and community contribution, promote environmental conservation activities and create a people-friendly business environment, are CSR priority issues that should be pursued commonly by all Group companies ("three common CSR priority issues") from a medium- to long-term perspective. The Japan Post Group places particular emphasis on these issues, recognizing that these are the responsibility that the Group assumes as a provider of products and services to customers throughout the country.



## 2. Japan Post Group CSR Organization





## 2. Activities Related to the Three Common CSR Priority Issues

In fiscal 2014, we continued to promote our ongoing efforts related to CSR initiatives by leveraging the distinctive strengths of the Japan Post Group, namely, its nationwide post office network. At the same time, we made efforts to ensure timely and appropriate information disclosure and to introduce third-party evaluations.

### 1. Encourage Social and Community Contribution

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

#### Specific Activities

### 1. Promotion of Community Contribution

#### Network of 24,000 Post Offices

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

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

#### Height above Sea Level Signs on Post Boxes

Some post offices cooperate in disaster prevention efforts of local public entities. As one means of mitigating tsunami-caused damage and raising awareness among community members, at post offices and on post boxes we put up signs and stickers provided by local public entities that show heights above sea level and evacuation shelters of respective areas.

#### Neighborhood Watch Agreements

Neighborhood watch activities, led by local public entities, have been expanding among local communities to safeguard children and ensure the well-being of elderly people living alone. We have concluded agreements with local public entities and have been participating in these activities by being on the lookout for any unusual occurrences while at work and notifying predetermined contact points when encountering any such incidents.

#### Provision of Himawari Service

Mail delivery personnel provide words of encouragement to elderly people living alone (who are 70 years old or older) and elderly couples in underpopulated areas (for 100 local governments as of the end of March 2013).

#### Promotion of Intergenerational Communication via the Exchange of Letters

As one way of nurturing ties among people and among local communities, we provide support for the exchange of letters between community members and elderly people living alone or in nursing homes in collaboration with schools and other external organizations. We also provide an intermediary service through the Association of Pen Friend Clubs of Japan (operated by Japan Post).

#### Promotion of Furusato (Hometown) Parcel

We display catalogs with products for which each locale nationwide is known and circulars with products closely related to the community at approximately 24,000 post office counters nationwide for customers to order from. We then ship these by Yu-Pack directly from the producing regions. Revenues from the sale of goods through catalogs were ¥99.0 billion in fiscal 2014 (up 3.1% year-on-year).

#### Handling of Work for Local Public Entities

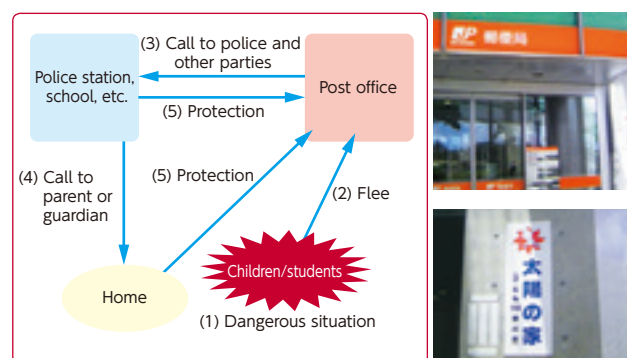
Designated post office counters provide administrative services, such as distribution of official family register transcripts, certificates of residency and other public certificates, and sell public bus tickets on consignment from local public entities.

#### Issuance of Pension Records on a Trial Basis

Under consignment from the Japan Pension Service, we provide a service to issue pension records for customers by using the organization's *Nenkin* Net service at 203 post offices.

#### Emergency Assistance for Children

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



## Education and Enlightenment Activities

- Accepting children from local elementary schools for a post office tour
- Offering space within a post office lobby for community use
- Participating in local events, including Radio Exercise and other sports events
- Providing a financial literacy web page for children and elderly people as part of promoting financial education
- Operating a patient library (Tokyo Teishin Hospital)

## Collection of Used Ink Cartridges, etc.

We collect used ink cartridges jointly with six printer manufacturers. As of March 31, 2014, collection boxes have been installed at 3,639 post offices nationwide and certain facilities of local public entities.

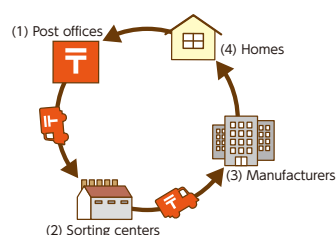
Used cartridges collected at these post offices and facilities are sent to sorting centers using our Yu-Pack service and then returned to the respective companies, which responsibly perform the recycling of these cartridges.

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

Special Collection Box



Collection Cycle



## 2. Promotion of Social Contribution

### New Year's Postcard Donations Aid Program

Our New Year's postcard donations program celebrates its 65th anniversary in fiscal 2015. A donation of ¥5 is added to each New Year's postcard, and funds raised through sales of these postcards are allocated to organizations engaged in activities in 10 fields, including the promotion of social welfare, healthy youth development, emergency disaster aid and disaster prevention, and global environmental conservation.

Donations of ¥604.02 million raised from sales of 2014 donation-added New Year's postcards and postage stamps were distributed to 297 organizations.

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

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

## "Japan Post Bank Deposits for International Aid"

Under the "Japan Post Bank Deposits for International Aid" program, customers donate 20% of the interest received on their savings (after-tax) to Japan Post Bank. By using the JICA (Japan International Cooperation Agency) Fund established by JICA, these resources are used in such activities as improving living standards in developing countries and regions through nongovernmental organizations (NGOs) and other groups.

The program began in October 2008, and as of March 31, 2014 we had received about 710,000 applications for the program, and a total of ¥16.17 million has been donated to the JICA Fund.



## JAPAN POST BANK Piggy Bank Design Contest for Children

With the objectives of increasing children's interest in saving and fostering their artistic creativity by making piggy banks, we hold an original piggy bank design contest for children, the leaders of tomorrow's society. For the 38th contest held during fiscal 2013, we received about 810,000 entries from 11,527 elementary schools across Japan. Japan Post Bank donated ¥10 for every piggy bank entry received to the Japan Committee for UNICEF and JICA (a total of ¥8,127,260 and ¥4,063,630, respectively). These donations are used to assist children suffering from poverty and illnesses in developing countries.



"We are Friends," which won the Post office Award (first grade group)



"Pencil Shavings Fish Piggy Bank," which won the Japan Post Bank Award (fifth grade group)

## Special Support for Competition of Junior *Honinbo* for the Japan Post Bank Cup

To foster intergenerational communication and local revitalization along with supporting children who will take the lead in the next generation, we provide special support to the Competition of Junior *Honinbo* for the Japan Post Bank Cup (sponsored by the Mainichi Newspapers, co-sponsored by the National Children's Go Association, supported by the Nihonkiin and the Kansaiin and cooperated by Japan Post Co., Ltd.).

In the tournament, which celebrated its 17th anniversary in fiscal 2013, about 3,000 amateur Go players, who are children of junior high school age or younger, competed for the top position in Japan.

Regional competitions were held at 15 venues across the country during the period from February to March 2014. The 38 winners in the regional competitions participated in the national tournament held in March 2014 and fully demonstrated their Go skills.

### Popularizing and Promoting Radio Exercise

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



Radio Exercise and *Minna no Taiso* Summer Tour (Miyazaki City, Miyazaki Prefecture)

### Supporting Sports Events

We co-sponsored the interscholastic athletic meet (National High School Athletic Meet) held in northern Kyushu (three prefectures of Fukuoka, Saga and Nagasaki) from July 28 to August 20, 2013.

### Support for the JAPAN U-12 FOOTBALL CHAMPIONSHIP

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

### Supporting Projects for the Promotion of Social Welfare

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

### Japan Post Insurance Public Talk on People's Health

We sponsor a public talk on promoting a healthy life to convey relevant information to a broad audience in society. In fiscal 2014, the public talk was held in Kobe City, Hyogo Prefecture, under the theme of "Keep Your Spirit of Challenge and Tackle the Future." At both venues, the event opened with a speech by wrestling coach Kazuhito Sakae of Shigakkan University, the wrestling club of which is famous for turning out a number of Olympic gold medalists. There was also a talk session on the topic of promoting physical and mental health with Saori Yoshida, who won a gold medal in women's wrestling at the London 2012 Summer Olympics.



Japan Post Insurance Public Talk on People's Health 2014

### "Kanpo Kids Smile World®"

We hold childcare support events with the aim of nurturing the sound growth of children. In fiscal 2014, we held "Kanpo Kids Smile World® 2013" in the three prefectures of Iwate, Miyagi and Fukushima to support the victims of the Great East Japan Earthquake and recovery of the disaster-affected areas.

The event provided various programs that are fun for both parents and children. They enjoyed a stage show by local children, a Radio Exercise session and a workshop to make pinwheels, and took home many delightful memories of the day.



Snapshot of a Kids Smile Stage program

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

### Emergency Assistance for Disaster Victims

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

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



## Disaster Prevention Agreements

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

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

## 2. Promote Environmental Conservation Activities

The Japan Post Group has laid out its Environmental Vision that encompasses its basic approach to the environment and has been conducting various activities with a strong focus on two areas, namely, implementing global warming response measures and promoting the cultivation of sustainable forests. In fiscal 2014, we added another action theme, "making efficient use of resources," and have been encouraging initiatives in these three fields.

(For details, please refer to "Japan Post Group Environmental Vision" on page 80.)

### (1) Implementing Global Warming Response Measures

The Japan Post Group aims to reduce CO<sub>2</sub> emissions by 1% on average (from fiscal 2013 level) over three years from fiscal 2014 to fiscal 2016.

### (2) Promoting the Cultivation of Sustainable Forests

Each of the Japan Post Group companies is working to reduce copy paper consumption. We also have a program, under which employees and their families volunteer to undertake tree silvicultural activities at the JP-no-Mori, and have been providing support to a children's tree-planting campaign, which is designed to engender sound environmental awareness in children and help them to be strong and bold in their lives by taking part in this comprehensive forest cultivation program.

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

## Specific Activities

### Reduction of CO<sub>2</sub> Emissions

We strive to reduce CO<sub>2</sub> emissions through a range of initiatives, including promoting energy-saving awareness among employees.

### Power-Saving Measures in Summertime

Under the guideline, "Electricity Supply-Demand Measures in 2013 Summertime," issued on April 26, 2013 by the Electricity Supply-Demand Review Committee, we implemented several power-saving measures in response to the government's call for voluntary actions without numerical targets. Our efforts included setting the temperature of air conditioners at 28°C, minimum lighting during peak times and partial operation of elevators.

- Period: Monday, July 1 – Monday, September 30, 2013
- Subject facilities: All facilities of each Group company within the areas covered by respective power companies
- Reduction target: A reduction of 5-15% or more from the previous year's level, with a specific target figure separately determined for each area



Employee volunteer activities at the JP-no-Mori (*Kururi Donguri-no-Mori*) located in Kimitsu City, Chiba Prefecture



Protecting trees from deer damage



Participants clearing underbrush



The children's tree-planting "Tohoku Regeneration Green Wave" (Yamada-town, Iwate Prefecture)



Participants in the children's tree-planting "Tohoku Regeneration Green Wave" (Yamada-town, Iwate Prefecture)

### Implementation of "Cool Biz" and "Super Cool Biz" Campaign

As part of efforts to save power during summertime, the Japan Post Group conducted a "Cool Biz" campaign during the period from May 1 to October 31, 2013 and a "Super Cool Biz" campaign, which is a step beyond the Cool Biz practice, at the height of summer from July 1 to September 30, 2013. The latter encourages even more casual attire in the workplace, and post office and branch personnel were allowed to wear polo shirts at work during that period.

### Promotion of Environmentally Friendly Facilities

We introduce environmentally friendly energy-saving measures when constructing new or additional facilities for post offices or conducting large-scale renovations.

We have also conducted energy conservation evaluations at post offices with high levels of CO<sub>2</sub> emissions and energy usage and are introducing ESCO (Energy Service Companies) businesses at some of these post offices as part of our efforts to introduce energy-saving facilities.

### Introducing Electric and Other Eco-friendly Vehicles at Post Offices and other locations

At Japan Post, we are deploying eco-friendly vehicles, namely, electric vehicles (EVs) and hybrid vehicles (HVs), to achieve a reduction in the amount of CO<sub>2</sub> emitted from vehicles.

At post offices, we have deployed 57 EVs and 10 plug-in hybrid vehicles (PHVs) for general or commercial use and 18 EVs (four-wheeled mini-vehicles) for collection and delivery services (as of March 31, 2014).

### Eco-friendly Driving

The Japan Post Group encourages well-mannered, eco-friendly driving to reduce the number of traffic accidents and lower CO<sub>2</sub> emissions through lower fuel consumption.

Japan Post strives to raise "Safe Eco-Driving" awareness among mail delivery and sales personnel nationwide through various initiatives, such as holding an in-house driving contest.

## 3. Create a People-Friendly Business Environment

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

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

### Specific Activities

#### Transitioning to Barrier-Free Facilities

We have been promoting the conversion of post offices and branch buildings into barrier-free facilities and have made about 8,500 post offices barrier-free as of March 31, 2014. To ensure safe accessibility for every customer, we will continue to encourage renovation based on a view of universal design, for example, by installing ramps and handrails at the entrances of post offices and laying Braille blocks for visually impaired customers.



Braille blocks



Ramp and handrails installed at the entrance

#### Pension Delivery Service

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

### Services Available in Braille

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

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

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

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

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

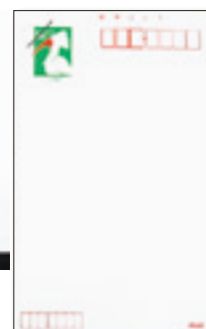
We provide 20 standard postcards (plain, inkjet printing or dimpled postcards) free of charge to severely physically challenged individuals (class 1 or 2) or severely mentally challenged individuals (level 1 or 2, or holding grade A intellectual disability certificates), who have requested this service.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

### Postcards with Indentations (Dimpled Postcards) for the Visually Impaired

These are postcards with a semi-circular indentation in the lower left corner on the front side of the postcard, which makes it easy to distinguish the front or back and the top or bottom of the postcard.



Postcards with indentations (dimpled postcards)



### New Welfare Time Deposits

This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor, and other similar public pensions and child-rearing allowance. Up to ¥3 million can be deposited per person.

## 4. Others

With a view to widely communicating to the public our efforts concerning the three common CSR priority issues that should be pursued by all Group companies, the Japan Post Group seeks various opportunities and strives to ensure timely and appropriate disclosure of information on a range of CSR activities undertaken by each Group company. In addition, our social and environmental report now includes a third-party opinion.

### Publication of Social and Environmental Report

In December 2013, we published the *Japan Post Group Social and Environmental Report 2013*, which describes the Group's community and social contribution activities in an easy-to-understand format. We handed out this report at the Eco-Products 2013 exhibition and other occasions.

### Participation in Eco-Products 2013

At the Eco-Products 2013 exhibition held at Tokyo Big Sight from December 12 to 14, 2013, we ran a Japan Post Group booth and presented various environmental conservation activities undertaken by each Group company. For small children from infants to elementary school students, we also held an event to plant acorns and a "Forest Postcard" workshop using postcards made from thinned trees.

### Participation in the Minnade-Katsudou-Taiken-World

We participated in the Minnade-Katsudou-Taiken-World, an experience-based event for children, held at the Sunshine City complex (Toshima-ku, Tokyo) on February 1-2, 2014. At the Japan Post Group booth, we presented various initiatives supported by the Group, including our children's tree-planting campaign. We also held a "Forest Postcard" workshop, in which children from infants to elementary school students experienced our postal service [wrote messages on postcards made from thinned trees, put stamps and actually sent them through our postal service]

## ■ Japan Post Group Environmental Vision

- The Japan Post Group recognizes its responsibility to pass on to future generations the beautiful and livable Earth and will seek to conserve the global and regional environment as one of the important Group management issues. We will observe laws, regulations and other agreements and endeavor to prevent pollution or other environmental issues that may arise from our execution of business.
- The Japan Post Group will monitor the status of the global and regional environment and the environmental impact of our business operations, define specific targets and constantly refine our activities by reviewing these targets on a regular basis. We will designate the following three items as the highest priority among the environmental activities and undertake initiatives in each field.
  - (1) Implementing Global Warming Response Measures  
We will define total numerical targets for reduction in CO<sub>2</sub> emissions\* from our business operations and appropriately manage CO<sub>2</sub> emissions.
  - (2) Promoting the Cultivation of Sustainable Forests  
We will contribute to the cultivation of sustainable forests both through our business activities and social contribution activities.
  - (3) Making Efficient Use of Resources  
We will work to reduce paper usage and at the same time introduce eco-friendly practices, such as drastically increasing the use of recycled paper. We will also strive to save resources by encouraging the recycling of office supplies used in our business activities.
- Each company and employee in the Japan Post Group will share this Environmental Vision, and the Japan Post Group proactively discloses environment-related information.

\* Our Environmental Vision only covers energy-derived CO<sub>2</sub> emissions.



## 2. Our Response to the Great East Japan Earthquake

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

### 1. Status of Resuming Operations of Post Offices

On March 14, 2011, which was the first business day after the earthquake, the number of “out-of-service” directly operated post offices and contracted post offices in three prefectures in the Tohoku region (Iwate, Miyagi and Fukushima prefectures) was 583 (out of 1,103) and 100 (out of 319), respectively, or approximately half of the total post offices located within the district. We gradually undertook efforts to set up temporary post offices and reconstruct permanent buildings, and as of March 31, 2014, had

reduced the number of “out-of-service” directly operated post offices and contracted post offices to 47 and 15, respectively.

These figures include five directly operated post offices and three contracted post offices, which are unable to operate due to the government's instructions, such as the designation of areas in which residents have difficulties in returning associated with the Fukushima Daiichi Nuclear Power Plant accident.



A temporary post office used by the Kamaishiheita Post Office (Iwate Prefecture)



Reconstructed Ofunatoekimae Post Office (Iwate Prefecture)

## 2. Assistance for Disaster Victims

### 1. Postal Operations

#### ■ Delivering Mail to Temporary Housing Units

Mail was delivered to temporary housing units after confirming the address of customers who relocated there from evacuation shelters. Additionally, we set up post boxes inside temporary housing complexes in conjunction with local authorities (178 post boxes in the three prefectures of Tohoku as of March 31, 2014) and worked to improve customer convenience.

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

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

### 2. Financial Services

#### ■ Emergency Handling of Deposits and Insurance Payments

We have permitted withdrawals of up to ¥200,000 per person from ordinary deposit accounts by depositors who have lost their deposit passbooks, deposit certificates, seals or other such articles as a result of the Great East Japan Earthquake (from March 13, 2011). Additionally, the handling of insurance matters includes making emergency insurance payments (from March 14, 2011).

#### ■ Free-of-charge Money Transfers for Natural Disaster Relief Donations

We offered free money transfers by ordinary in-payment for natural disaster relief donations in support of relief activities for victims of the Great East Japan Earthquake. These free money transfers were sent to the accounts of organizations engaged in relief and other related activities such as the Japanese Red Cross Society and the Central Community Chest of Japan.

As of March 31, 2014, the Bank had processed a total of approximately 3.23 million free money transfers for disaster relief donations in the total transfer amount of approximately ¥92.9 billion.

### 3. Counter Operations

#### ■ Special Counter Services by Mobile Post Offices

Services are provided at two locations in Iwate Prefecture and one location in Fukushima Prefecture that include accepting and handling postal and Yu-Pack items as well as enabling deposits and withdrawals of ordinary deposits through ATM.



Special counter services at a mobile post office (former Raga Elementary School in Iwate Prefecture)

# 3. Japan Post Group Corporate Governance

(As of July 1, 2014)

## 1. Fundamental Policy for Corporate Governance

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

### 1. Group Management

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

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

### 2. Internal Controls

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

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

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

### 3. Separation of Business Execution and Supervision

Japan Post Holdings is a company with committees, in which responsibilities for execution of business activities and oversight of management are separated for the purpose of strengthening corporate governance for the entire Japan Post Group. The president and CEO quickly makes decisions concerning business activities. The Board of Directors, comprising 16 directors among which eight are outside directors, provides appropriate supervision of business activities.

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

### 4. Management Meeting and Special Committees

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

In addition, there are two special committees, the Compliance

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

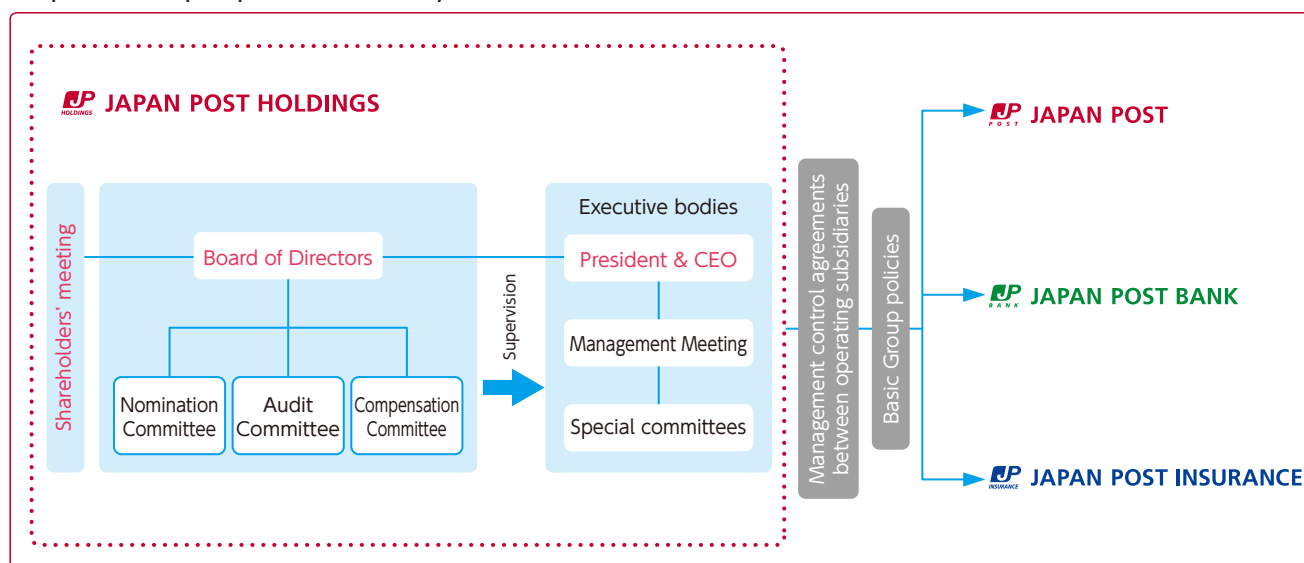
### 5. Administrative Management

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

To support the development and improvement of administrative

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

## ■ Japan Post Group Corporate Governance System



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

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

### 1. Organizational response

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

### 2. Complete elimination of relationships, including transactions

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

### 3. Legal measures and prohibition of secret negotiations

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

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

### 4. Cooperation with outside experts

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

### 5. Prohibiting financing for antisocial forces

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

## 2. Corporate Governance Systems of Group Companies

Japan Post has a corporate governance system based on a Board of Corporate Auditors. Two of three corporate auditors are outside auditors.

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

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

# 4. Japan Post Group Compliance Framework

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

## 1. Japan Post Group Compliance Framework

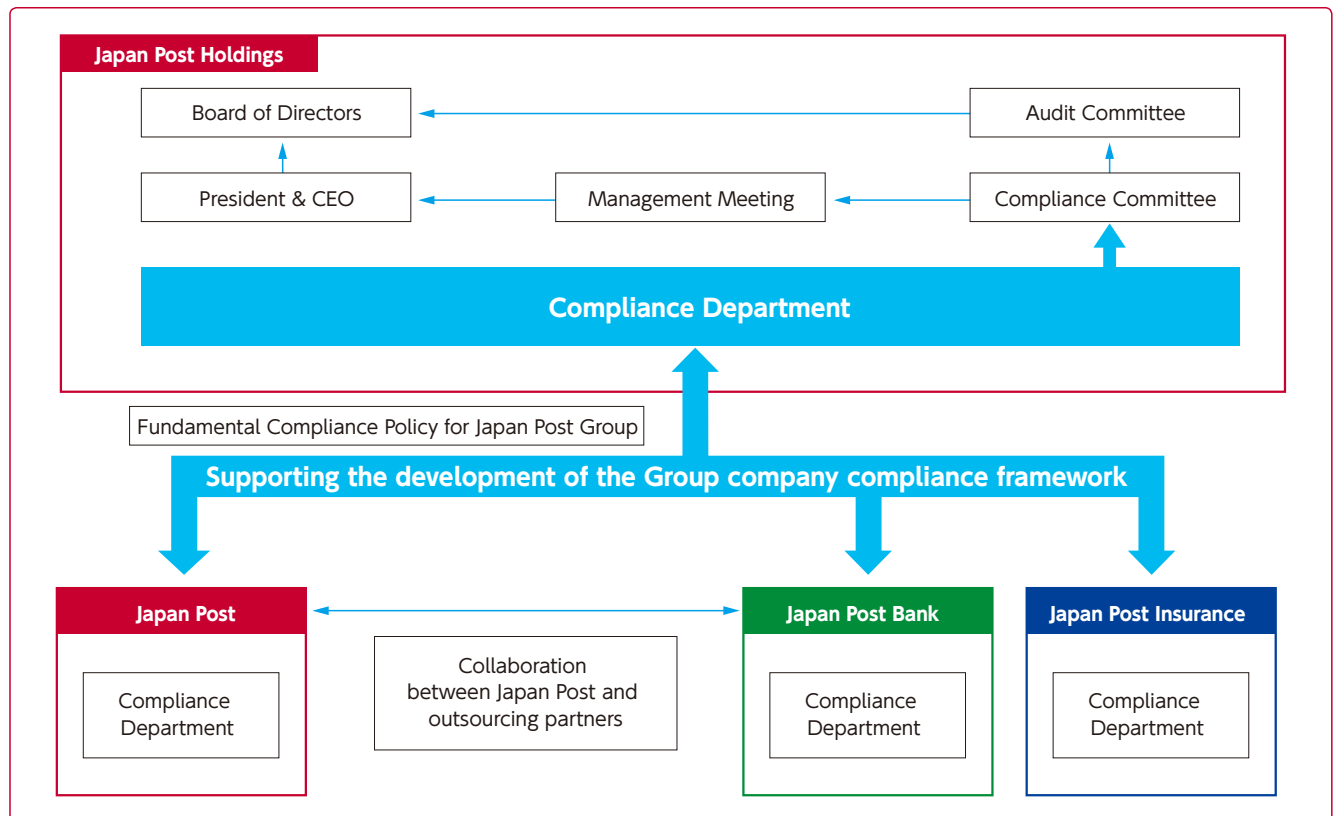
The Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to unify the management of compliance-related matters.

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

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

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

### ■ Japan Post Group Compliance Framework



## 2. Group Company Compliance Framework

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

### 1. Compliance Framework

#### (a) Line of responsibility for compliance activities

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

#### (b) Internal reporting system

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

### 2. Promotion of Compliance

#### (a) Establishment of compliance program

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

#### (b) Activities related to compliance items

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

#### (c) Preparation and distribution of compliance manual

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

#### (d) Implementation of compliance-related training

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

# 5. Japan Post Group Internal Audit System

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

## 1. Japan Post Group Internal Audit System Framework

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

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

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

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

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

## 2. Internal Audit System at Group Companies

### 1. Overview

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

In addition, the scope of the internal audits extends to all business sites and administrative affairs, so each Group company

has set up an Internal Audit Department at its head office. Besides this, Japan Post, which has approximately 24,000 post offices, has established audit offices at 50 locations nationwide. This ensures that internal audits are carried out at a sufficient frequency and in appropriate detail.

### 2. Implementation of Effective Internal Audits

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

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

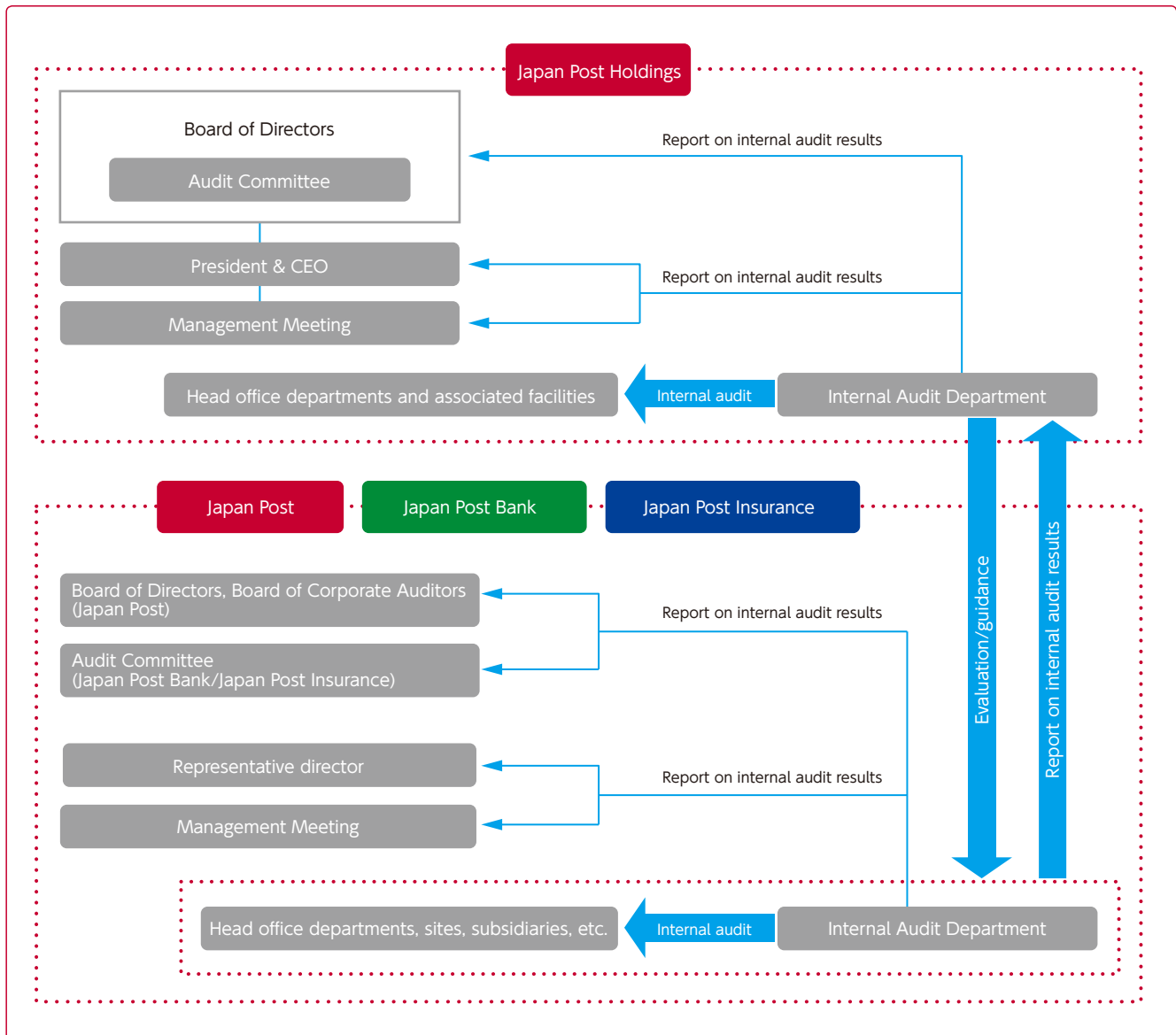
### 3. Reporting on Results of Internal Audits and Making Improvements

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

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



## Japan Post Group Internal Audit Framework



# 6. Japan Post Group Risk and Crisis Management

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

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

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

## 1. Group Risk Management Framework

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

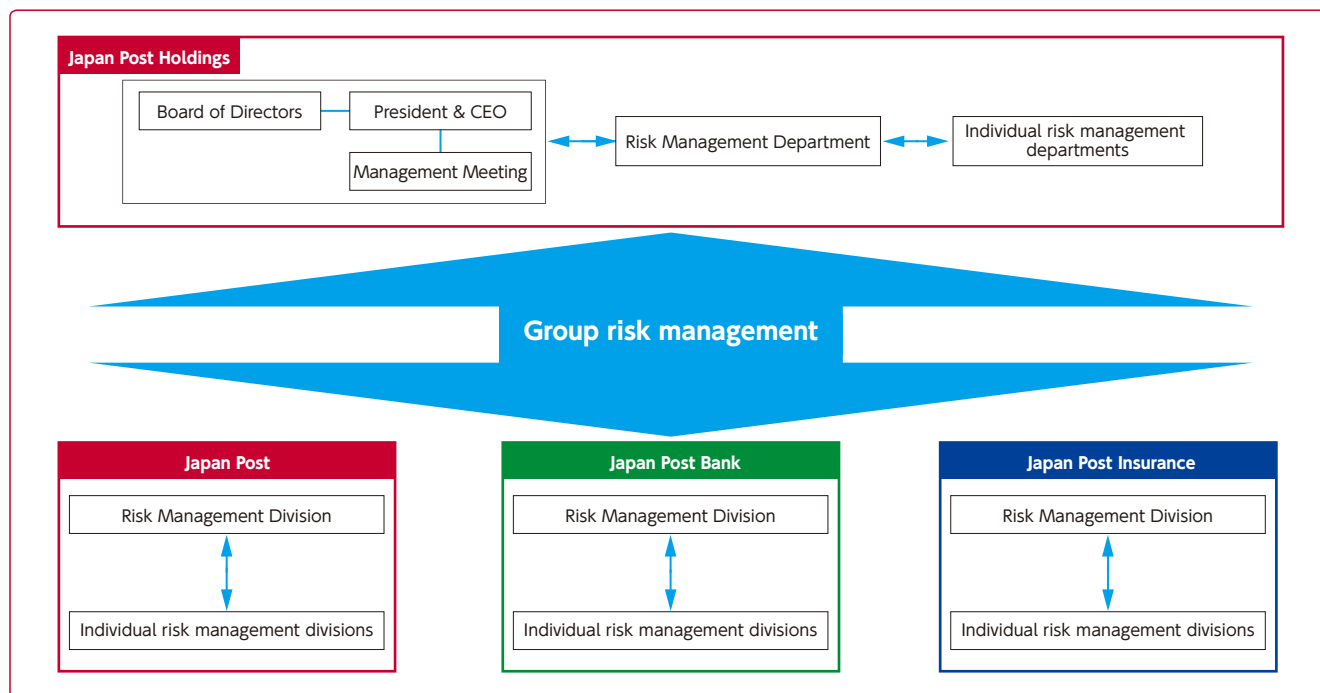
In addition, Japan Post Holdings has a Risk Management Department for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department makes use of reports on risk management at Group companies and discussions to establish systems that properly monitor risk for the Group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

The Risk Management Department periodically submits Group

company risk management reports to the Management Meeting in which the Group's risk management policies and risk management systems are discussed.

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

### ■ Risk Management Framework for Japan Post Group



Japan Post Bank and Japan Post Insurance are exposed to market risk, credit risk and other types of risk that are unique to the provision of financial services. Each Group company identifies risks that can be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to measure these risks.

Japan Post Holdings manages risk by confirming that the amount of risk measured at each of these two companies is suitable in

relation to each Group company's equity capital.

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

## 2. Japan Post Group Risk Management System

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

Management and manages those risks autonomously.

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

### ■ Risk Categories and Definitions

Risk category	Definition
<b>Insurance underwriting risk</b>	The risk of losses due to changes in economic conditions or incidence rates of insured events as opposed to the projections made at the time when premiums were set.
<b>Credit risk</b>	The risk of losses arising from decline in the value of assets (including off-balance-sheet assets) due to deterioration in the financial condition of a borrower or a counterparty.
<b>Market risk</b>	Risk associated with fluctuations in market conditions, such as interest rates, securities prices, and foreign exchange rates. The risk of losses arising from fluctuations in the values of assets (including off-balance-sheet assets). Market risk is divided into the following three categories:
<b>1) Interest rate risk</b>	The risk of declines in profits or losses arising from interest rate fluctuations when there are mismatches of interest rates and terms between assets and liabilities.
<b>2) Price volatility risk</b>	The risk of declines in the price of assets due to fluctuation in value of securities and other financial instruments
<b>3) Foreign exchange risk</b>	The risk of losses due to differences in foreign exchange rates from initial assumed rates in cases where there is a net surplus of assets or liabilities denominated in foreign currencies.
<b>Investment risk</b>	The risk that consists of the following credit, market and real estate investment risks.
<b>1) Credit risk</b>	Same as credit risk above
<b>2) Market risk</b>	Same as market risk above
<b>3) Real estate investment risk</b>	The risk of losses due to decline in profitability of real estate caused by the changes of rents, or due to decrease in the value of real estate itself caused by factors such as changes in market conditions.

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

## 3. Crisis Management for Disasters

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

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

# 7. Japan Post Group Customer Satisfaction

## 1. Listening to Customers

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

\*Group companies' customer satisfaction departments:

- Japan Post: Customer Service Promotion Division
- Japan Post Bank: Customer Satisfaction Department
- Japan Post Insurance: Customer Service Department

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

## 2. Customer Service Consulting Center

Customer opinions are gathered at all post offices, branches and call centers nationwide, as well as from respective websites. Please refer to pages 224-227 for business hours at post offices and branches, and for telephone numbers and business hours of Group company call centers.

### ■ Japan Post Group Customer Satisfaction Flowchart



The Customer Satisfaction Promotion Department at Japan Post Holdings examines these initiatives.

### ■ Example of improvements based on customer feedback

	Customer feedback	Improvements
Japan Post Co., Ltd.	Your catalog order form is complicated. Couldn't you make it easier to fill in?	We revised our order form to improve ease of use, making the Notice of Delivery and other sections larger and easier to fill in. We have been using the revised order form from the fiscal 2014 year-end gift catalogue.
Japan Post Bank Co., Ltd.	You send a notice of receipt of payments/fund transfers by postal mail when a payment is made to or from my transfer account. I would like to have it sooner.	We launched a new service on <i>Yucho Direct</i> to allow customers to view a notice in the morning (from 9:00 a.m.) following the day of the transaction (Receipt of Payment and Fund Transfer Notice Web Inquiry Service).
Japan Post Insurance Co., Ltd.	It is inconvenient that the premiums payment certificate does not show the total amount of premiums paid during the year.	As a general rule, all our premiums payment certificates now show a yearly total. We also made revisions to the statements printed on the back of the certificate to make it easier to understand for customers.

## Results of the Japan Post Group Customer Satisfaction Survey

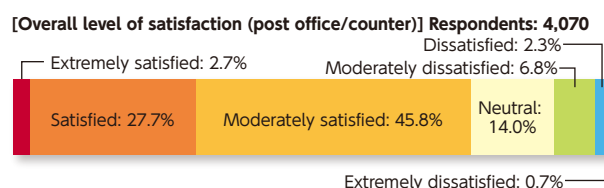
Japan Post Holdings conducts a survey on customer satisfaction levels and intention of use at post offices (Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.) and summarizes the results in order to accurately ascertain customer opinions on products and services and respond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

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

### Level of satisfaction in the post office

◇ (Satisfied: 76.2%, Dissatisfied: 9.8%)

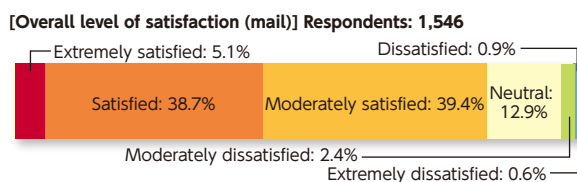
How satisfied are you overall with the post office network and response at counters?



### Level of satisfaction for services such as postal services, banking services and insurance services.

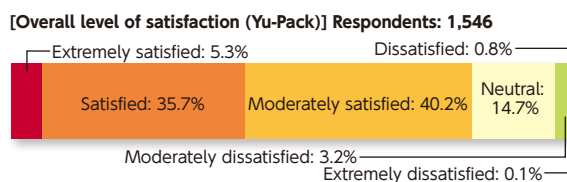
◇ Mail (Satisfied: 83.2% Dissatisfied: 3.9%)

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



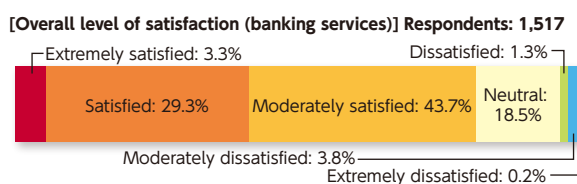
◇ Yu-Pack (Satisfied: 81.2% Dissatisfied: 4.1%)

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



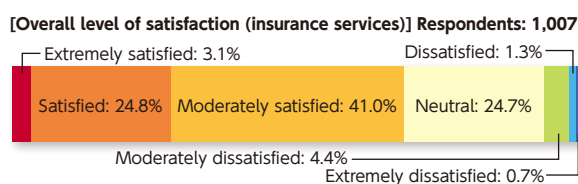
◇ Banking services (Satisfied: 76.3% Dissatisfied: 5.3%)

How satisfied are you overall with banking services of post offices (Japan Post Bank)?



◇ Insurance services (Satisfied: 68.9% Dissatisfied: 6.4%)

How satisfied are you overall with insurance services of post offices (Japan Post Insurance)?



\* Level of satisfaction is evaluated based on a scale of the aggregate percentage of "extremely satisfied," "satisfied" and "moderately satisfied." Level of dissatisfaction is evaluated based on a scale of the aggregate percentage of "extremely dissatisfied," "dissatisfied" and "moderately dissatisfied."

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

#### Outline of survey

##### ■ Respondents

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

\* Excludes mass media, sector peer companies, those affiliated with the post office, etc.

■ Period: October 3-8, 2013

■ Survey method: Internet

■ Valid responses: 4,070 people (75.9% of 5,364 solicited)





# Corporate Data

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# 1. Outline of Japan Post Holdings Co., Ltd.

## 1

### Company Outline

Company name (in Japanese): Nippon Yusei Kabushiki Kaisha  
Company name: JAPAN POST HOLDINGS Co., Ltd.  
Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan  
Telephone: 03-3504-4411 (Japan Post Group main number)  
Paid-in capital: ¥3,500 billion  
Date of establishment: January 23, 2006  
Legal basis: Established under the Japan Post Holdings Co., Ltd. Act (Law No. 98 of October 21, 2005)  
Lines of business: Management of Group companies

## 2

### Information on Shares

#### 1. Number of Shares

Authorized number of shares	600,000,000
Total shares issued	150,000,000
Number of shareholders as of March 31, 2014	One

#### 2. Shareholder

Minister of Finance	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

#### 3. Information on Rights to Purchase New Shares, etc.

None outstanding

## 3

### Number of Employees

3,098\* (as of March 31, 2014)

\* The number of employees excludes employees assigned to other companies by Japan Post Holdings Co., Ltd. but includes employees assigned to Japan Post Holdings Co., Ltd. by other companies. The figures do not include part-time employees.

(As of July 1, 2014)

**1. Directors**

President & CEO (Representative Executive Officer).....	Taizo Nishimuro (Concurrently holds the positions of Director of Japan Post Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Executive Vice President (Representative Director).....	Yasuo Suzuki (Concurrently holds the position of Director of Japan Post Co., Ltd.)
Executive Vice President (Representative Director).....	Tatsuo Soda
Executive Vice President (Representative Director).....	Susumu Atsuki
Executive Vice President (Representative Director).....	Toshihide Komatsu
Director .....	Yoshiyuki Izawa (Concurrently holds the position of President & CEO of Japan Post Bank Co., Ltd.)
Director .....	Masami Ishii (Concurrently holds the position of President & CEO of Japan Post Insurance Co., Ltd.)
Director .....	Toru Takahashi (Concurrently holds the position of President & CEO of Japan Post Co., Ltd.)
Director (Outside) .....	Haruo Kasama (Attorney-at-Law)
Director (Outside) .....	Keiji Kimura (Concurrently holds the position of Chairman & Representative Director of Mitsubishi Estate Co., Ltd.)
Director (Outside) .....	Miwako Noma (Concurrently holds the position of Representative Director of Nippongurashi Co., Ltd.)
Director (Outside) .....	Fujio Mitarai (Concurrently holds the position of Chairman & CEO of Canon Inc.)
Director (Outside) .....	Akio Mimura (Concurrently holds the position of Senior Advisor and Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation)
Director (Outside) .....	Tadashi Yagi (Concurrently holds the position of Auditor of Kyodo News Building Co., Ltd.)
Director (Outside) .....	Fumiaki Watari (Concurrently holds the position of Honorary Advisor of JX Holdings, Inc. and President & Representative Director of Private Finance Initiative Promotion Corporation of Japan)
Director (Outside) .....	Satoshi Seino (Concurrently holds the position of Chairman (Director) of East Japan Railway Company)

**2. Executive Officers** (Excludes persons with concurrent posts in the above 1. Directors)

Senior Managing Executive Officer	Kunio Tanigaki	Executive Officer	Kimihiko Oku
Senior Managing Executive Officer	Masatoshi Shinoda	Executive Officer	Susumu Inoue (Concurrently holds the position of Executive Officer of Japan Post Co., Ltd.)
Senior Managing Executive Officer	Seiji Katsuno	Executive Officer	Makoto Sakurai
Managing Executive Officer	Masayuki Nakayama	Executive Officer	Atsuko Onodera
Managing Executive Officer	Kenji Fukumoto	Executive Officer	Yoshiharu Miyazaki
Managing Executive Officer	Ryosuke Haraguchi	Executive Officer	Tsunehiko Matsuyama (Concurrently holds the position of Senior Executive Officer of Japan Post Co., Ltd.)
Managing Executive Officer	Noboru Ichikura	Executive Officer	Hidetake Kikuhara
Managing Executive Officer	Chikashi Isayama	Executive Officer	Katsuyuki Takahashi
(Concurrently holds the position of Senior Managing Executive Officer of Japan Post Co., Ltd.)		Executive Officer	Tsutomu Shomura
Managing Executive Officer	Toshihiro Tsuboi	Executive Officer	Takeshi Onodera
(Concurrently holds the position of Executive Vice President (Representative Director) of Japan Post Co., Ltd.)		Executive Officer	Mamiko Izumi
Managing Executive Officer	Susumu Tanaka		
(Concurrently holds the position of Director and Executive Vice President of Japan Post Bank Co., Ltd.)			
Managing Executive Officer	Tetsuya Senda		
(Concurrently holds the position of Managing Executive Officer of Japan Post Insurance Co., Ltd.)			

**3. Nomination Committee**

Chairperson	Akio Mimura
Member	Taizo Nishimuro
Member	Fujio Mitarai

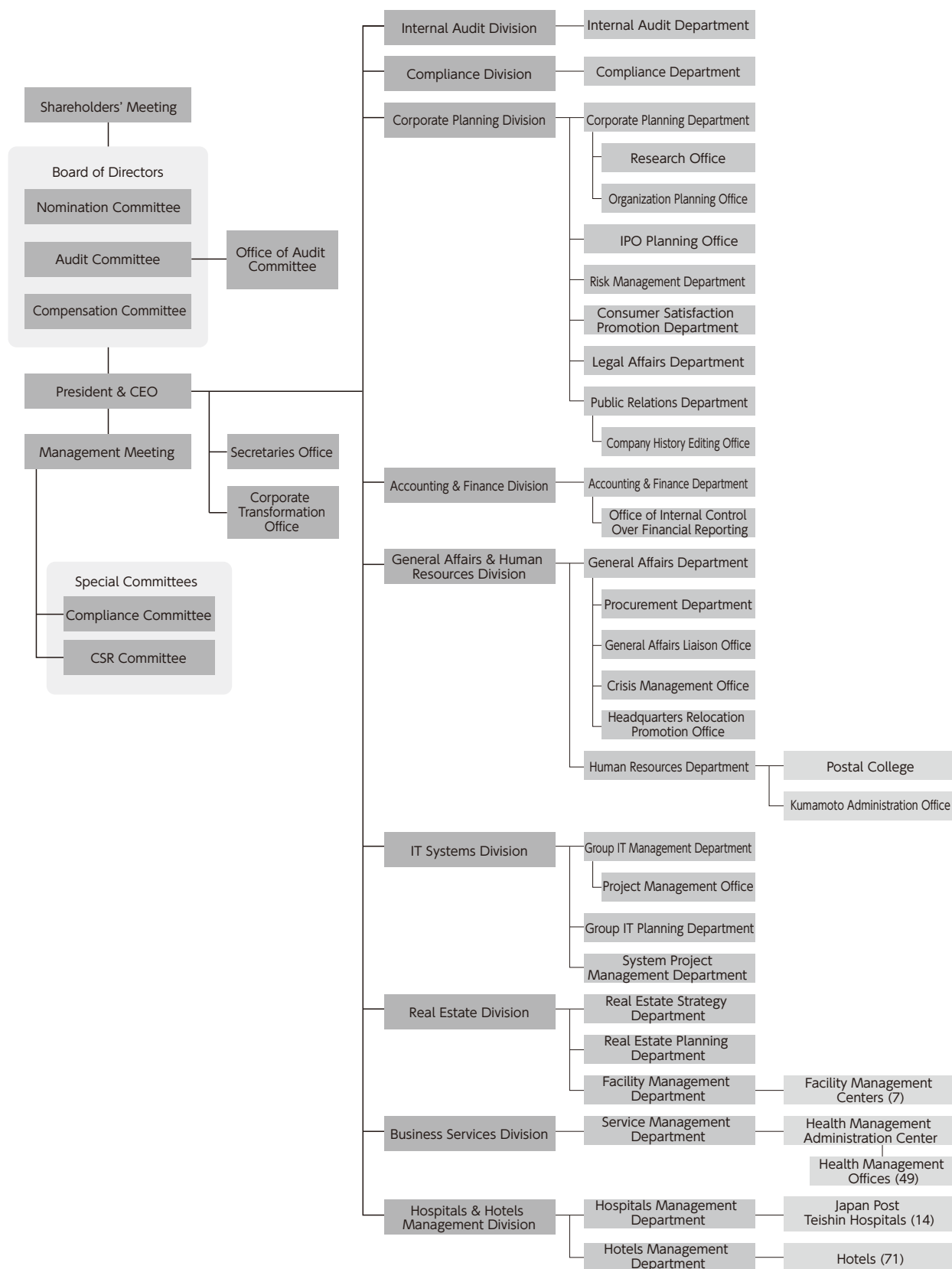
**4. Audit Committee**

Chairperson	Haruo Kasama
Member	Miwako Noma
Member	Tadashi Yagi

**5. Compensation Committee**

Chairperson	Taizo Nishimuro
Member	Haruo Kasama
Member	Fumiaki Watari

(As of July 1, 2014)



(As of March 31, 2014)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000	Post office counter-related business and postal and parcel delivery operation	October 1, 2007	100.0% (0.0%)
	Japan Post Bank Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	100.0% (0.0%)
	Japan Post Insurance Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	100.0% (0.0%)
	Japan Post Staff Co., Ltd.	Minato-ku, Tokyo	¥140	Contract staffing service	July 3, 2007	100.0% (0.0%)
	Yusei Challenged Co., Ltd.	Setagaya-ku, Tokyo	¥5	Office cleaning, others	November 20, 2007	100.0% (0.0%)
	Japan Post Hotel Service Co., Ltd.	Saitama-shi, Saitama	¥39	Hotel management operations	December 26, 1996	100.0% (0.0%)
	Japan Post Information Technology Co., Ltd.	Minato-ku, Tokyo	¥150	Communication network maintenance and management	January 30, 1987	100.0% (0.0%)
	Japan Post Network Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Merchandise business, contracting business for merchandise operations	September 11, 2007	100.0% (100.0%)
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Property management for commercial buildings	April 1, 2011	100.0% (100.0%)
	JP Logi Service Co., Ltd.	Osaka-shi, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6% (67.6%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	58.5% (58.5%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Planning, development and sales of direct media and contracted shipment of merchandise	February 29, 2008	51.0% (51.0%)
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0% (100.0%)
	Japan Post Sankyu Global Logistics Co., Ltd.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0% (60.0%)
	Japan Post International Logistics Co., Ltd.	Shanghai, China	CNY50	International logistics	September 6, 2013	100.0% (100.0%)
Affiliated companies accounted for under the equity method	Japan Post Insurance System Solutions Co., Ltd.	Shibuya-ku, Tokyo	¥60	Commissioned design, development, maintenance and operation of information systems for the life insurance business and others	March 8, 1985	100.0% (100.0%)
	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Bank agency operations	May 28, 1980	45.0% (45.0%)
	ATM Japan Business Service, Ltd.	Shinjuku-ku, Tokyo	¥100	ATM operation management	August 30, 2012	35.0% (35.0%)
	JA Foods Oita Co., Ltd.	Kitsuki-shi, Oita	¥493	Processing and sales of agricultural products, fruits and vegetables	December 2, 1991	20.0% (20.0%)

Note: The figures in parentheses in the column showing percentage ownership of voting rights indicate the percentage of indirect ownership through consolidated subsidiaries.

(As of March 31, 2014)

Name of facility	Location	Telephone number
Sapporo Teishin Hospital	1-5-1, Kawazoe 14-jo, Minami-ku, Sapporo, Hokkaido 005-8798	011-571-5103
Sendai Teishin Hospital	5-1, Chuo 4-chome, Aoba-ku, Sendai, Miyagi 980-8798	022-268-3150
Yokohama Teishin Hospital	13-10, Nishi Kanagawa 1-chome, Kanagawa-ku, Yokohama, Kanagawa 221-8798	045-321-4782
Tokyo Teishin Hospital	14-23, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-8798	03-5214-7111
Niigata Teishin Hospital	2-8, Yachiyo 2-chome, Chuo-ku, Niigata, Niigata 950-8798	025-244-4700
Toyama Teishin Hospital	2-29, Kashima-machi 2-chome, Toyama, Toyama 930-8798	076-423-7727
Nagoya Teishin Hospital	2-5, Izumi 2-chome, Higashi-ku, Nagoya, Aichi 461-8798	052-932-7151
Kyoto Teishin Hospital	109, Nishi Rokkakuchō, Shinmachi Nishiiru, Rokkakutori, Nakagyo-ku, Kyoto, Kyoto 604-8798	075-241-7167
Osaka Kita Teishin Hospital	1-6, Nakazaki 1-chome, Kita-ku, Osaka, Osaka 530-8798	06-6361-2071
Kobe Teishin Hospital	2-43, Kami-tsutsui Dori 6-chome, Chuo-ku, Kobe, Hyogo 651-8798	078-232-7519
Hiroshima Teishin Hospital	19-16, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8798	082-224-5355
Tokushima Teishin Hospital	19-2, Iga-cho 3-chome, Tokushima, Tokushima 770-8798	088-623-8611
Fukuoka Teishin Hospital	6-11, Yakuin 2-chome, Chuo-ku, Fukuoka, Fukuoka 810-8798	092-741-0300
Kagoshima Teishin Hospital	12-1, Shimo Ishiki 1-chome, Kagoshima, Kagoshima 890-8798	099-223-6013



(As of July 1, 2014)

## 1. Kanpo no Yado Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
1	Otaru	2-670, Asarigawa Onsen, Otaru, Hokkaido 047-0154	0134-54-8511	21	Kazeru Otaru Annex
2	Tokachigawa	9-1, Kita, Tokachigawa Onsen, Otofuke-cho, Kato-gun, Hokkaido 080-0262	0155-46-2141	43	Closed for business on September 1 at check-out
3	Ichinoseki	147-5, Horyu, Genbi-cho, Ichinoseki, Iwate 021-0101	0191-29-2131	55	
4	Yokote	1-20, Shiotsuke, Mutsunari, Yokote, Akita 013-0008	0182-32-5055	42	Closed for business on September 1 at check-out
5	Matsushima	89-53, Minami-Akasaki, Nobiru, Higashi-Matsushima, Miyagi 981-0411	—	—	Temporarily closed
6	Sakata	17-26, Iimoriyama 3-chome, Sakata, Yamagata 998-8588	0234-31-4126	39	
7	Koriyama	3-198, Atami, Atami-machi, Koriyama, Fukushima 963-1380	024-984-3511	36	
8	Iwaki	60, Shibazaki, Tairafujima, Iwaki, Fukushima 970-0103	0246-39-2670	59	
9	Oarai	7986-2, Isohama-cho, Oarai-machi, Higashi-Ibaraki-gun, Ibaraki 311-1301	029-267-3191	52	
10	Itako	1830-1, Mizuhara, Itako, Ibaraki 311-2404	0299-67-5611	56	
11	Shiobara	1256, Shiobara, Nasushiobara, Tochigi 329-2921	0287-32-2845	39	
12	Tochigi Kitsuregawa Onsen	5296-1, Kitsuregawa, Sakura, Tochigi 329-1412	028-686-2822	53	
13	Kusatsu	464-1051, Kusatsu, Kusatsu-machi, Agatsuma-gun, Gunma 377-1794	0279-88-5761	48	Closed for business on September 1 at check-out
14	Isobe	22, Gobara, Annaka, Gunma 379-0135	027-385-6321	51	
15	Yorii	2267, Sueno, Yorii-machi, Osato-gun, Saitama 369-1205	048-581-1165	51	
16	Kamogawa	1137, Nishi-cho, Kamogawa, Chiba 296-0043	04-7092-1231	101	
17	Asahi	2280-1, Nittama, Asahi, Chiba 289-2525	0479-63-2161	61	
18	Katsuura	2183-5, Ubara, Katsuura, Chiba 299-5243	0470-76-3011	50	
19	Ome	668-2, Komaki-cho 3-chome, Ome, Tokyo 198-0053	0428-23-1171	56	
20	Hakone	159, Motohakone, Hakone-machi, Ashigarashimo-gun, Kanagawa 250-0522	0460-84-9126	29	
21	Isawa	348-1, Matsumoto, Isawa-cho, Fuefuki, Yamanashi 406-0021	055-262-3755	54	
22	Kashiwazaki	2-15, Kotobuki-cho, Kashiwazaki, Niigata 945-0846	—	—	Temporarily closed
23	Suwa	15-16, Owa 2-chome, Suwa, Nagano 392-0001	0266-52-1551	36	
24	Atami (Main Building)	12-3, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	159	
	Atami (Annex)	13-77, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	45	
25	Shuzenji	1257-4, Kumasaka, Izu, Shizuoka 410-2411	0558-72-3151	32	Closed for business on September 1 at check-out
26	Izukogen	1104-5, Yawatano, Ito, Shizuoka 413-0232	0557-51-4400	59	
27	Toyama	5691-2, Hane, Fuchu-machi, Toyama, Toyama 939-2694	076-469-3135	40	
28	Yamashiro	32-1, Onsen-dori, Yamashiro Onsen, Kaga, Ishikawa 922-0254	0761-77-1600	46	Closed for business on September 1 at check-out
29	Fukui	43-17, Fuchi-machi, Fukui, Fukui 918-8026	0776-36-5793	33	
30	Yaizu	1375-2, Hamatome, Yaizu, Shizuoka 425-8533	054-627-0661	40	
31	Hamanako-Mikkabi	2977-2, Tsuzuki, Mikkabi-cho, Kita-ku, Hamamatsu, Shizuoka 431-1496	053-526-1201	41	
32	Sangane	1-221, Nyukaizan, Higashihazu-cho, Nishio, Aichi 444-0701	0563-62-2650	32	
33	Chita-Mihama	39, Suhara, Okuda, Mihama-cho, Chita-gun, Aichi 470-3233	0569-87-1511	42	
34	Ena	2709, Oi-cho, Ena, Gifu 509-7201	0573-26-4600	54	
35	Gifu-Hashima	1041, Uaminami, Kuwabara-cho, Hashima, Gifu 501-6323	058-398-2631	40	

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
36	Toba	1200-7, Arashima-cho, Toba, Mie 517-0021	0599-25-4101	58	
37	Kumano	1020-7, Ido-cho, Kumano, Mie 519-4324	0597-89-4411	27	
38	Hikone	3759, Matsubara-cho, Hikone, Shiga 522-0002	0749-22-8090	41	
39	Maizuru	224-5, Ueyasu, Maizuru, Kyoto 624-0912	—	—	Temporarily closed
40	Tondabayashi	880-1, Ryusen, Tondabayashi, Osaka 584-0053	0721-33-0700	43	
41	Yamatoheguri	16-1, Kamisho 2-chome, Heguri-cho, Ikoma-gun, Nara 636-0905	0745-45-0351	34	
42	Nara	9-1, Nijo-cho 3-chome, Nara, Nara 630-8002	0742-33-2351	40	
43	Shirahama	1688-2, Shirahama-cho, Nishimuro-gun, Wakayama 649-2211	0739-42-2980	31	
44	Kii-Tanabe	24-1, Mera, Tanabe, Wakayama 646-8501	0739-24-2900	52	
45	Arima	1617-1, Arima-cho, Kita-ku, Kobe, Hyogo 651-1401	078-904-0951	53	
46	Ako	883-1, Misaki, Ako, Hyogo 678-0215	0791-43-7501	50	
47	Awajishima	824, Toshima, Awaji, Hyogo 656-1711	0799-82-1073	40	
48	Kaike	1-7, Kaikeshinden 3-chome, Yonago, Tottori 683-0002	0859-33-4421	35	
49	Mimasaka Yunogo	674-7, Nakayama, Mimasaka, Okayama 707-0061	0868-72-5551	35	
50	Takehara	442-2, Nishino-cho, Takehara, Hiroshima 725-0002	0846-29-0141	40	
51	Hikari	31-1, Murozumi-Higashinosho, Hikari, Yamaguchi 743-0005	0833-78-1515	40	
52	Yuda	1-42, Kanda-cho, Yamaguchi, Yamaguchi 753-0064	083-922-5226	40	
53	Kanonji	1101-4, Ikenoshiri-cho, Kanonji, Kagawa 768-0031	0875-27-6161	55	
54	Sakaide	2048-91, Takaya-cho, Sakaide, Kagawa 762-0017	0877-47-0531	41	
55	Tokushima	3-70, Nakatsuyama, Hachiman-cho, Tokushima, Tokushima 770-8071	088-625-1255	46	
56	Dogo	3-1, Mizonobe-machi, Matsuyama, Ehime 791-0101	089-977-0460	54	
57	Ino	1569, Hakawa, Ino-cho, Agawa-gun, Kochi 781-2128	088-892-1580	52	
58	Kitakyushu	2829, Arige, Wakamatsu-ku, Kitakyushu, Fukuoka 808-0123	093-741-1335	50	
59	Yanagawa	10-1, Yashiro-machi, Yanagawa, Fukuoka 832-0057	0944-72-6295	40	
60	Shimabara	8362-3, Hakusan-machi, Shimabara, Nagasaki 855-0824	—	—	Temporarily closed
61	Beppu	457, Tsurumi, Beppu, Oita 874-0844	0977-66-1271	49	
62	Hita	685-6, Nakanoshima-machi, Hita, Oita 877-0074	0973-24-0811	53	
63	Yamaga	2450, Shijiki, Yamaga, Kumamoto 861-0542	0968-43-5121	28	
64	Aso	5936, Miyaji, Ichinomiya-machi, Aso, Kumamoto 869-2612	0967-22-1122	66	
65	Nichinan	2228-1, Hoshikura, Nichinan, Miyazaki 889-2533	0987-22-5171	46	
66	Recreation Center in Naha	9-15, Minato-machi 2-chome, Naha, Okinawa 900-0001	098-862-4740	70	

## 2. Kanpo no Sato Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
67	Hakusan-Oguchi	43-3, U, Seto, Hakusan, Ishikawa 920-2331	076-256-8080	53	Closed for business on November 30
68	Shobara	281-1, Shinjo-cho, Shobara, Hiroshima 727-0004	0824-73-1800	62	
69	Usa	1571-1, Kawabe, Usa, Oita 879-0452	0978-37-2288	32	

## 3. Rafre Saitama and Other Facilities

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
70	Rafre Saitama	3-2, Shintoshin, Chuo-ku, Saitama, Saitama 330-0081	048-601-1111	186	
71	U-Port Recreation Center in Setagaya	17-1, Kamata 2-chome, Setagaya, Tokyo 157-0077	03-3709-0161	—	

Notes 1: For more details, contact the hotels directly or call the customer service center of *Kanpo no Yado* inns at 0120-715294 (weekdays: 9:30 to 17:30).

2: Each accommodation facility has formed a disaster agreement beforehand with local municipalities to provide evacuation areas, bathing facilities and food in accordance with requests from these municipalities (except Koriyama).

## 2. Outline of Japan Post Co., Ltd.

### 1 Company Outline

Company name (in Japanese):	Nippon Yubin Kabushiki Kaisha
Company name:	JAPAN POST Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥100 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Co., Ltd. Act (Law No. 100 of October 21, 2005)
Lines of business:	Postal operations; banking counter operations; insurance counter operations; sales of documentary stamps; operations consigned by local government entities; bank and life and non-life insurance agency services other than those mentioned previously; domestic distribution and delivery business and international cargo transport and agency services for air cargo business; logistics business; real estate business; and merchandise sales

### 2 Management Philosophy

#### Management Philosophy

"Japan Post Co., Ltd. will fully utilize its resources that include its post office and delivery networks covering every corner of the country to provide safe, reliable and fast services tailored to the needs of each community while contributing to the realization of a society with an abundance of human contact by supporting people's lifestyles throughout their entire lives."

- We will provide the basic postal services of postal, banking and insurance services extensively across the country into the future.
- We will take on the challenge of providing innovative services that respond accurately to changes in society and enrich people's lives.
- We will fulfill our responsibilities as a corporate citizen by establishing corporate governance systems and strictly implementing compliance.
- Each and every employee will continue to grow to ensure we are appreciated by our customers and trusted and respected by local communities.

### 3 Information on Shares

#### 1. Number of Shares

Total shares issued	4,000,000
---------------------	-----------

#### 2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	4,000,000	100%

### 4 Number of Employees

194,688\* (as of March 31, 2014)

\* The number of employees excludes employees assigned to other companies by Japan Post Co., Ltd. but includes employees assigned to Japan Post Co., Ltd. by other companies. The figures do not include part-time employees.

(As of July 1, 2014)

**1. Directors**

President & CEO (Representative Executive Officer).....	Toru Takahashi (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Executive Vice President (Representative Director).....	Toshihiro Tsuboi (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Executive Vice President (Representative Director).....	Seiki Fukuda
Director (Outside) .....	Kenji Kitahara (Former member of the NHK Management Committee)
Director (Outside) .....	Yasuo Suzuki (Concurrently holds the position of Representative Director and Executive Vice President of Japan Post Holdings Co., Ltd.)
Director (Outside) .....	Risa Tanaka (Concurrently holds the position of Executive Vice President and Executive Editor of Sendenkaigi Co., Ltd.)
Director (Outside) .....	Toyohiko Takabe (Concurrently holds the position of Advisor of Nippon Telegraph and Telephone East Corporation)
Director (Outside) .....	Taizo Nishimuro (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside) .....	Michiko Hirono (Concurrently holds the position of President & Representative Director of 21 Lady Co., Ltd.)

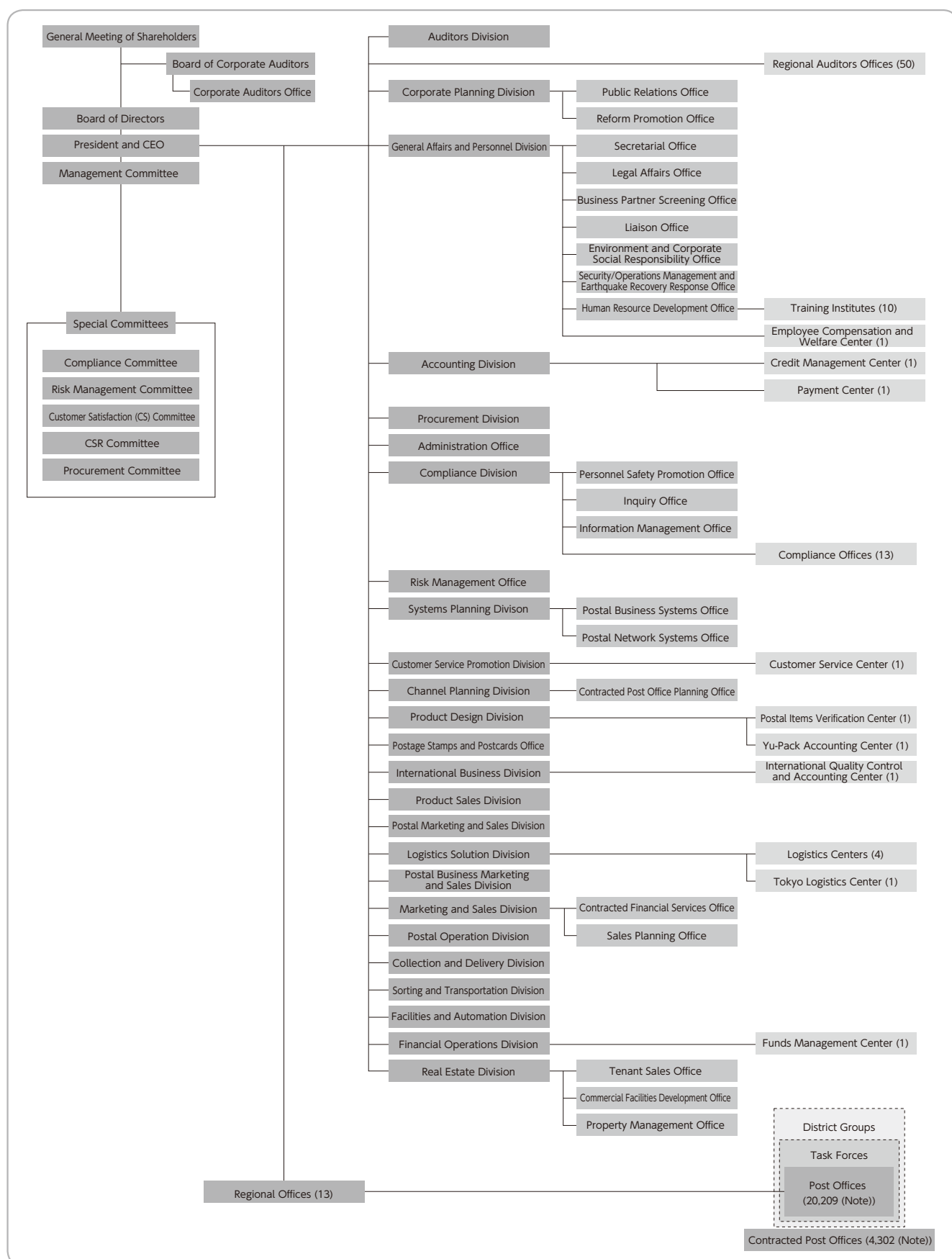
**2. Auditors**

Haruki Iinuma  
Yoshio Haibara  
Hisamitsu Gannyo

**3. Executive Officers**

Vice President	Shin Ueda	Executive Officer	Kazuaki Daikaku
First Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Chikashi Isayama	Executive Officer	Keiichi Yano
First Executive Officer	Kenji Sasaki	Executive Officer	Koji Wada
First Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Bank Co., Ltd.)	Satoshi Hoshino	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	Susumu Inoue
Senior Executive Officer	Manabu Kawamura	Executive Officer	Ryutaro Yamamoto
Senior Executive Officer	Yuji Uenuma	Executive Officer	Keiichi Shirato
Senior Executive Officer	Junichiro Miyazaki	Executive Officer	Yoshiyuki Higuchi
Senior Executive Officer	Hisaharu Nakajima	Executive Officer	Hiroaki Kawamoto
Senior Executive Officer	Shuji Obu	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Bank Co., Ltd.)	Makoto Fukumoto
Senior Executive Officer	Naoki Nakashima	Executive Officer	Hitoshi Arawaka
Senior Executive Officer	Toru Inasawa	Executive Officer	Toshiyuki Yazaki
Senior Executive Officer	Shuzo Inoue	Executive Officer	Satoru Tatebayashi
Senior Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	Tsuneiko Matsuyama	Executive Officer	Nobuo Tsuruda
		Executive Officer	Mitsuyuki Yamamoto
		Executive Officer	Kazuya Hino
		Executive Officer	Masahiko Metoki
		Executive Officer	Masayuki Tokushige
		Executive Officer	Katsuhiko Tsuyama

(As of July 1, 2014)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2014.

## 7

## Names and Locations of Regional Offices

(As of July 1, 2014)

Name of regional office	Location
Hokkaido	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	1-1, Sakuragi-cho, Naka-ku, Yokohama, Kanagawa 231-8694
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-15, Kamitsutsumi-cho, Kanazawa, Ishikawa 920-8797
Tokai	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797



(As of March 31, 2014)

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Hokkaido	1,211	1	285	1,497	1	0	15	16	1,513
Aomori	267	0	95	362	0	0	0	0	362
Iwate	299	1	119	419	9	0	5	14	433
Miyagi	345	0	87	432	17	0	6	23	455
Akita	273	0	127	400	0	0	1	1	401
Yamagata	289	0	107	396	0	0	2	2	398
Fukushima	411	0	108	519	21	0	8	29	548
Ibaraki	465	0	53	518	0	0	3	3	521
Tochigi	312	0	46	358	0	0	1	1	359
Gunma	302	0	38	340	0	0	0	0	340
Saitama	625	0	19	644	0	0	0	0	644
Chiba	690	0	32	722	0	0	2	2	724
Kanagawa	749	0	13	762	1	0	2	3	765
Yamanashi	202	0	62	264	0	0	4	4	268
Tokyo	1,485	2	6	1,493	15	0	0	15	1,508
Niigata	534	0	139	673	0	0	9	9	682
Nagano	445	0	198	643	0	0	17	17	660
Toyama	213	0	76	289	0	0	3	3	292
Ishikawa	254	0	70	324	0	0	4	4	328
Fukui	210	0	32	242	0	0	1	1	243
Gifu	355	0	90	445	0	0	12	12	457
Shizuoka	484	0	101	585	0	0	18	18	603
Aichi	836	3	78	917	0	0	16	16	933
Mie	372	0	85	457	0	0	10	10	467
Shiga	230	0	31	261	0	0	1	1	262
Kyoto	441	0	33	474	1	0	1	2	476
Osaka	1,085	4	30	1,119	0	0	1	1	1,120
Hyogo	840	2	120	962	0	0	3	3	965
Nara	241	0	80	321	0	0	2	2	323
Wakayama	263	0	54	317	0	0	0	0	317
Tottori	147	0	96	243	0	0	4	4	247
Shimane	257	0	117	374	0	0	5	5	379
Okayama	417	2	105	524	0	0	10	10	534
Hiroshima	583	0	116	699	0	0	5	5	704

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Yamaguchi	355	0	58	413	0	0	7	7	420
Tokushima	202	0	31	233	0	0	6	6	239
Kagawa	189	0	28	217	0	0	10	10	227
Ehime	317	0	76	393	0	0	7	7	400
Kochi	229	0	91	320	0	0	3	3	323
Fukuoka	714	0	94	808	0	0	3	3	811
Saga	166	0	40	206	0	0	1	1	207
Nagasaki	310	0	135	445	0	0	3	3	448
Kumamoto	391	0	175	566	0	0	3	3	569
Oita	307	0	93	400	1	0	1	2	402
Miyazaki	196	0	112	308	0	0	2	2	310
Kagoshima	436	2	279	717	0	0	4	4	721
Okinawa	181	1	21	203	0	0	0	0	203
Nationwide total	20,125	18	4,081	24,224	66	0	221 (Note 1)	287 (Note 2)	24,511

\* Contracted post offices operate under consignment contracts.

"Post offices out of service" are post offices for which customers have been informed of a temporary closure and postal counter operations have been ceased.

Note 1: Services in areas where contracted post offices have been closed are as follows.

Number of instances where services are provided by personnel dispatched to the location	Number of instances where services are provided by 2 mobile post offices
43	3

Of the mobile post offices, one has been dispatched to the disaster regions and therefore its service has been temporarily suspended.

Note 2: Post offices out of service are as follows.

	Closed due to the Great East Japan Earthquake	Closed for reasons other than the Great East Japan Earthquake	Total
Directly managed post offices	47	19	66
Contracted post offices	15	206	221

## 9

## Principal Subsidiaries

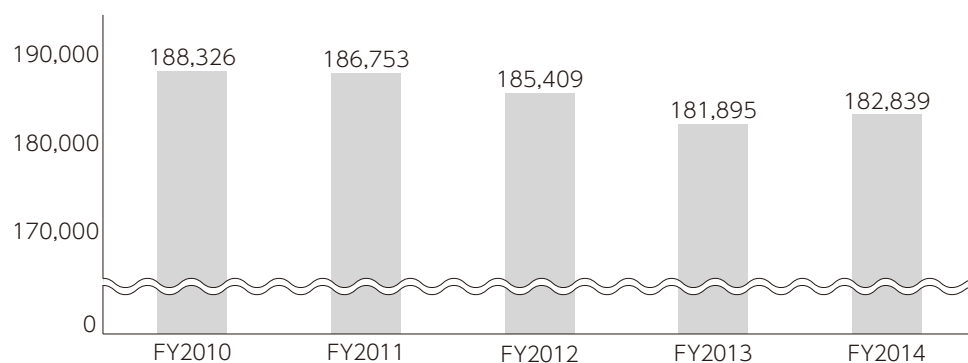
(As of March 31, 2014)

Affiliation	Company name	Location	Paid-in capital (millions)	Line of business	Date of establishment	Japan Post ownership	Ownership of voting shares
Consolidated Subsidiaries	Japan Post Network Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Merchandise business, contacting business for merchandise operations	September 11, 2007	100.0%	100.0%
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Property management for commercial buildings	April 1, 2011	100.0%	100.0%
	JP Logi Service Co., Ltd.	Osaka-shi, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6%	67.6%
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	51.0%	58.5%
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Planning, development and sales of direct media and contracted shipment of merchandise	February 29, 2008	51.0%	51.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0%	100.0%
	Japan Post Sankyu Global Logistics Co., Ltd.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0%	60.0%
	Japan Post International Logistics Co., Ltd.	Shanghai, China	CNY50	International logistics	September 6, 2013	100.0%	100.0%

## 10

## Number of Post Boxes

(Post boxes)



## 11

## Outsourcing

Japan Post outsources some of its business activities as prescribed by law.

#### ■ Outsourcing of Transport of Postal Materials or others

The following table shows the status for the outsourcing of the collection, transport and delivery operations to transport companies and other parties as prescribed in the Law for Outsourcing Postal Material Transport (1949 Law No. 284).

(Millions of yen)

Category	FY2012	FY2013	FY2014
Collection, delivery and transport outsourcing expenses	198,258	172,044	<b>173,568</b>

Note: Collection, delivery and transport expenses include expenses paid for the outsourcing of the collection, transport and delivery of postal materials, etc., to transport companies, etc. In addition, these expenses include miscellaneous expenses for the outsourcing of the collection, transport and delivery of postal materials, etc., such as the cost of renting the collection and delivery worksite, expressway tolls and other items.

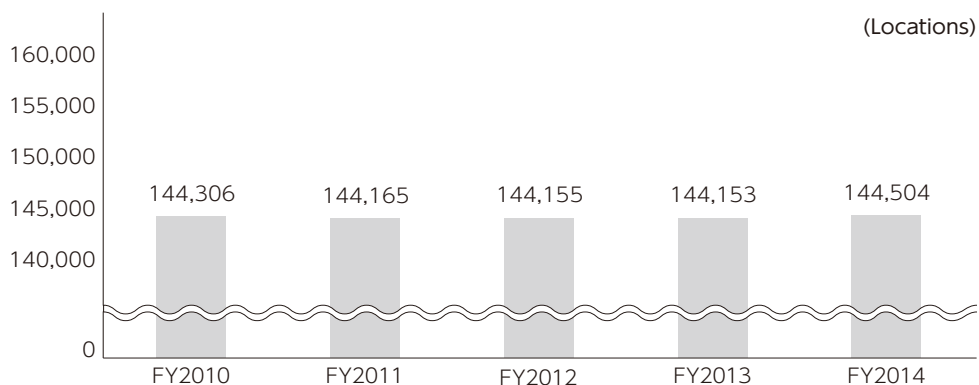
#### ■ Outsourcing of Sale of Postage Stamps or others

The following table shows the status of outsourcing of the sale of postage stamps, etc., as prescribed in the Law Concerning Locations for the Sale of Postage Stamps (1949 Law No. 91).

(Millions of yen)

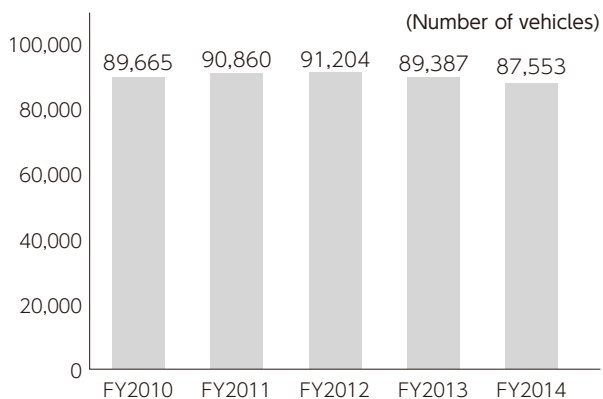
Category	FY2012	FY2013	FY2014
Fees paid to locations selling postage stamps	19,655	18,960	<b>18,713</b>

## 12 Number of Locations Selling Postage Stamps and Documentary Stamps

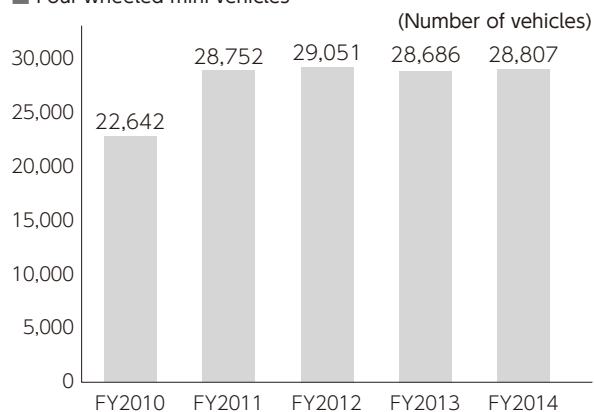


## 13 Number of Postal Service Vehicles Owned

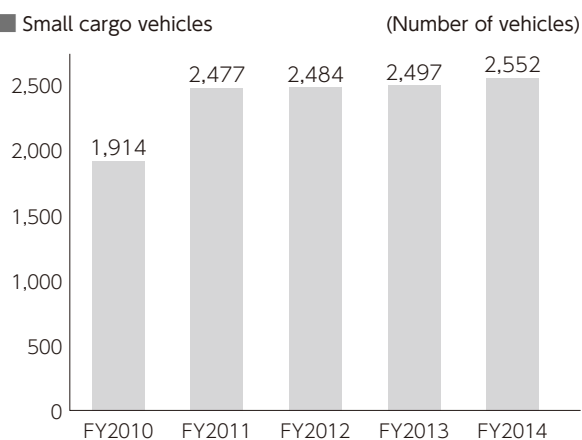
### Two-wheeled vehicles (including small motor vehicles)



### Four-wheeled mini vehicles



### Small cargo vehicles



# 3. Outline of Japan Post Bank Co., Ltd.

## 1 Company Outline

Company name (in Japanese):	Kabushiki Kaisha Yucho Ginko
Company name:	JAPAN POST BANK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	September 1, 2006 (On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)
Line of business:	Banking
Financial institution code number:	9900

## 2 Management Philosophy

### Management Philosophy

Japan Post Bank is dedicated to serving as "the most accessible and trustworthy bank in Japan," with operations that are guided by the needs and wishes of our customers.

Trustworthy:	We will comply with laws regulations and other standards of behavior in order to earn the trust of markets, shareholders and employees and consistently serve as a responsible corporate citizen.
Innovation:	We will constantly use innovative ideas to improve our management and business activities in response to input from customers and changes in market conditions.
Efficiency:	We will pursue improvements in speed and efficiency in order to be a source of products and services that match our customers' requirements.
Expertise:	We will work continually on upgrading expertise in specialized fields with the aim of meeting the high expectations of our customers.

## 3 Information on Shares

### 1. Number of Shares

Total shares issued	150,000,000
---------------------	-------------

### 2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

## 4 Number of Employees

12,963\* (as of March 31, 2014)

\* The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include short-term contract and part-time employees.

(As of July 1, 2014)

**1. Board of Directors**

Representative Executive Officer (President & CEO).....	Yoshiyuki Izawa (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Representative Executive Vice President .....	Tomohiro Yonezawa
Executive Vice President .....	Susumu Tanaka (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Outside Director .....	Tomoyoshi Arita (Attorney-at-Law)
Outside Director .....	Taizo Nishimuro (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Outside Director .....	Yoshifumi Iwasaki (Formerly held the position of President & CEO of Mitsui Fudosan Realty Co., Ltd.)
Outside Director .....	Yoshizumi Nezu (Concurrently holds the position of President & Representative Director of Tobu Railway Co., Ltd.)
Outside Director .....	Sawako Nohara (Concurrently holds the position of President & Representative Director of IPSe Marketing, Inc.)
Outside Director .....	Tetsu Machida (Economics Journalist)

**2. Executive Officers** (Excludes persons with concurrent posts in the above 1. Board of Directors)

Executive Vice President	Tomohisa Mase	Executive Officer	Yoko Makino
Senior Managing Executive Officer	Shuichi Ikeda	Executive Officer	Kunihiko Amaha
Senior Managing Executive Officer	Masahiro Murashima	Executive Officer	Masato Wakai
Senior Managing Executive Officer	Hiroshi Yamada	Executive Officer	Masaya Aida
Senior Managing Executive Officer	Satoshi Hoshino (Concurrently holds the position of First Executive Officer of Japan Post Co., Ltd.)	Executive Officer	Katsumi Amano
Managing Executive Officer	Riki Mukai	Executive Officer	Yoichi Uno
Managing Executive Officer	Hiroichi Shishimi	Executive Officer	Harumi Yano
Managing Executive Officer	Chiharu Komachi	Executive Officer	Yasuyuki Hori
		Executive Officer	Norio Wakasa
		Executive Officer	Masahiro Nishimori
		Executive Officer	Makoto Shimura
		Executive Officer	Suzunori Hayashi
		Executive Officer	Makoto Fukumoto (Concurrently holds the position of Executive Officer of Japan Post Co., Ltd.)
		Executive Officer	Satoru Ogata
		Executive Officer	Minoru Kotouda
		Executive Officer	Fujie Kawasaki

**3. Nomination Committee**

Chairman	Taizo Nishimuro
Member	Yoshifumi Iwasaki
Member	Yoshizumi Nezu

**4. Audit Committee**

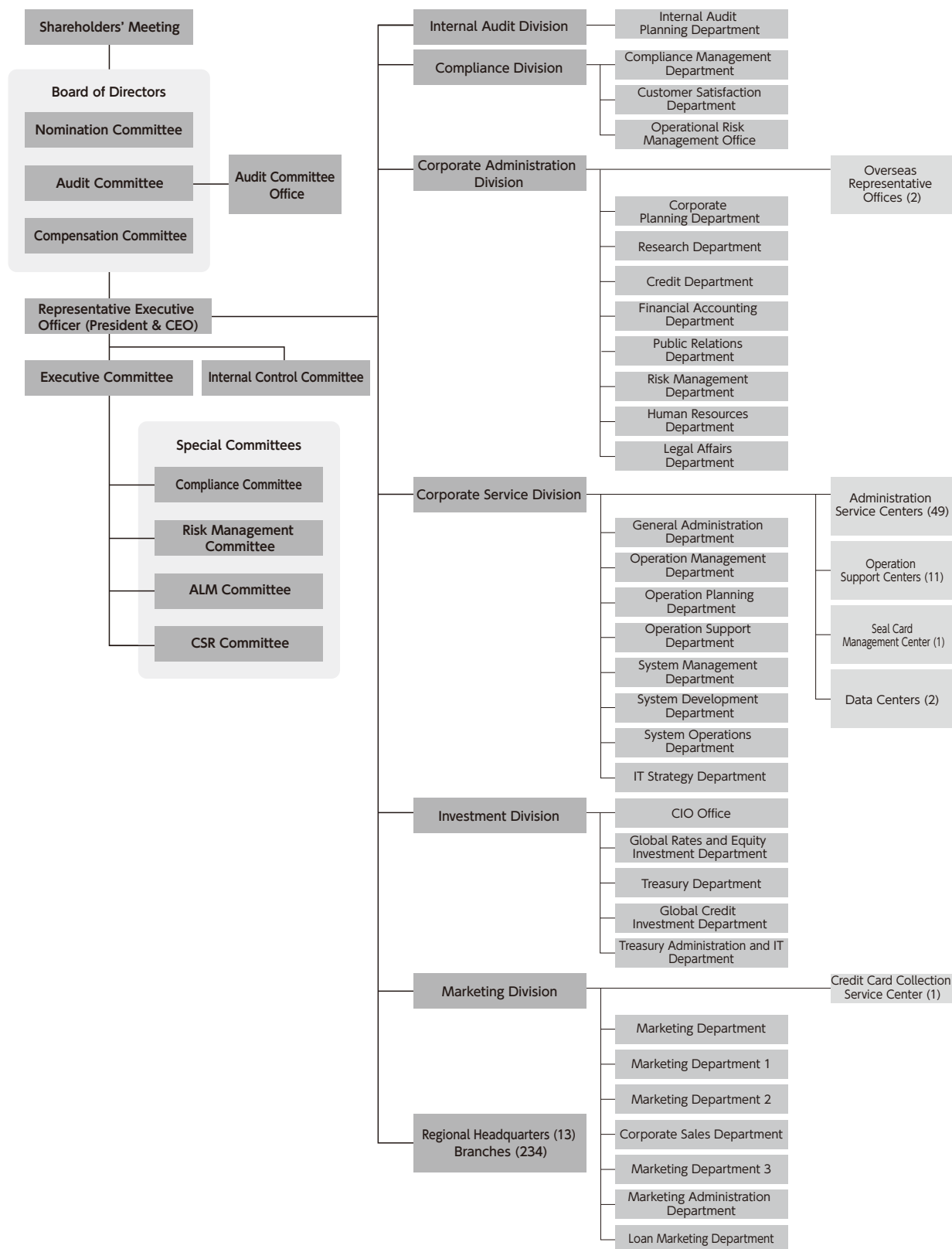
Chairman	Tomoyoshi Arita
Member	Sawako Nohara
Member	Tetsu Machida

**5. Compensation Committee**

Chairman	Taizo Nishimuro
Member	Yoshifumi Iwasaki
Member	Yoshizumi Nezu



(As of July 1, 2014)



## 7

## Principal Business Locations

Head Office and 234 Branches

(As of March 31, 2014)

Name of branch	Location	Telephone number
Sapporo Branch	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002	011-214-4300
Sendai Branch	3-3, Ichibancho 1-chome, Aoba-ku, Sendai, Miyagi 980-8711	022-267-8275
Saitama Branch	1-12, Bessho 7-chome, Minami-ku, Saitama, Saitama 336-8799	048-864-7317
Central Branch	7-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8996	03-3284-9618
Nagano Branch	1085-4, Minami Agata-machi, Nagano, Nagano 380-8799	026-226-2550
Kanazawa Branch	1-1, Sanja-machi, Kanazawa, Ishikawa 920-8799	076-224-3844
Nagoya Branch	1-10, Osu 3-chome, Naka-ku, Nagoya, Aichi 460-8799	052-261-6728
Osaka Branch	2-4, Umeda 3-chome, Kita-ku, Osaka, Osaka 530-0001	06-6347-8112
Hiroshima Branch	6-36, Moto-machi, Naka-ku, Hiroshima, Hiroshima 730-0011	082-222-1315
Matsuyama Branch	5-2, Sanban-cho 3-chome, Matsuyama, Ehime 790-8799	089-941-0820
Kumamoto Branch	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-0846	096-328-5163
Naha Branch	1-1, Kumoiji 1-chome, Naha, Okinawa 900-0015	098-867-8802

## 8

## Japan Post Bank Offices by Prefecture

(As of March 31, 2014) (Branches/Post offices)

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Hokkaido	1	4	1,207	281	1,493
Aomori	0	2	265	95	362
Iwate	0	1	307	120	428
Miyagi	1	1	359	88	449
Akita	0	1	273	128	402
Yamagata	0	1	288	107	396
Fukushima	0	3	430	114	547
Ibaraki	0	3	462	53	518
Tochigi	0	2	309	46	357
Gunma	0	3	299	38	340
Saitama	1	16	607	18	642
Chiba	0	13	677	33	723
Kanagawa	0	31	718	13	762
Yamanashi	0	1	200	61	262
Tokyo	1	40	1,444	6	1,491
Niigata	0	3	531	136	670
Nagano	1	2	441	196	640
Toyama	0	2	210	75	287
Ishikawa	1	0	251	70	322
Fukui	0	1	209	31	241
Gifu	0	2	353	83	438
Shizuoka	0	5	478	87	570
Aichi	1	13	822	75	911
Mie	0	2	370	82	454
Shiga	0	1	229	31	261
Kyoto	0	4	437	33	474
Osaka	1	23	1,059	30	1,113
Hyogo	0	12	828	120	960
Nara	0	2	239	80	321

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Wakayama	0	1	262	54	317
Tottori	0	1	146	95	242
Shimane	0	1	256	117	374
Okayama	0	2	415	106	523
Hiroshima	1	3	579	116	699
Yamaguchi	0	3	352	58	413
Tokushima	0	1	201	31	233
Kagawa	0	2	187	26	215
Ehime	1	1	314	75	391
Kochi	0	1	228	89	318
Fukuoka	0	4	708	93	805
Saga	0	1	165	38	204
Nagasaki	0	2	308	136	446
Kumamoto	1	1	389	175	566
Oita	0	2	306	93	401
Miyazaki	0	1	195	112	308
Kagoshima	0	1	437	281	719
Okinawa	1	0	179	20	200
Total	12	222	19,929	4,045	24,208

Note 1: The number of post offices refers to the number of sales offices and branches handling bank agency services (including sub-offices).

2: The number of contracted post offices refers to the number of sales offices or branches commissioned to handle bank agency services by Japan Post Co., Ltd. on behalf of Japan Post Bank Co., Ltd.

3: The number of mobile post offices in Aichi and Tokushima Prefectures is not included in the above totals.

## 9

## Number of ATMs by Prefecture

Prefecture	Number of ATMs
Hokkaido	1,675
Aomori	318
Iwate	348
Miyagi	511
Akita	313
Yamagata	323
Fukushima	502
Ibaraki	580
Tochigi	369
Gunma	356
Saitama	948
Chiba	970
Kanagawa	1,176
Yamanashi	223
Tokyo	2,538
Niigata	644

Prefecture	Number of ATMs
Nagano	536
Toyama	253
Ishikawa	321
Fukui	244
Gifu	413
Shizuoka	587
Aichi	1,148
Mie	425
Shiga	294
Kyoto	583
Osaka	1,589
Hyogo	1,141
Nara	296
Wakayama	298
Tottori	165
Shimane	289

(As of March 31, 2014)

Prefecture	Number of ATMs
Okayama	511
Hiroshima	788
Yamaguchi	436
Tokushima	235
Kagawa	241
Ehime	403
Kochi	274
Fukuoka	1,016
Saga	214
Nagasaki	378
Kumamoto	473
Oita	355
Miyazaki	236
Kagoshima	503
Okinawa	259
Total	26,698

## 10

## Outline of Affiliated Companies

(As of March 31, 2014)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Bank ownership	Ownership of voting shares
SDP Center Co., Ltd.	Chuo-ku, Tokyo	2,000	Bank agency operations	May 28, 1980	45.0%	45.0%
ATM Japan Business Service, Ltd.	Minato-ku, Tokyo	100	ATM cash loading and collection as well as ATM management	August 30, 2012	35.0%	35.0%

## 4. Outline of Japan Post Insurance Co., Ltd.

### 1

#### Company Outline

Company name (in Japanese) : Kabushiki Kaisha Kanpo Seimei Hoken  
Company name: JAPAN POST INSURANCE Co., Ltd.  
Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan  
Telephone: 03-3504-4411 (Japan Post Group main number)  
Paid-in capital: ¥500 billion  
Date of establishment: September 1, 2006  
(The name of the company was changed from Kanpo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)  
Line of business: Life insurance

### 2

#### Management Philosophy

##### Management Philosophy

Moving forward with our customers while serving as "Japan's most familiar and trusted insurance company"

To translate this philosophy into specific activities, Japan Post Insurance makes the following promises to stakeholders.

##### Our promise to customers

We value every contact with customers. We will offer products and services that are easy to understand and use. We will supply accurate information so that customers can use these products and services with confidence.

##### Our promise to shareholders

We will aim to continuously enhance corporate value to fulfill our obligation to shareholders. We will use sound management systems backed by a suitable risk management framework. We will maintain strong lines of communication with shareholders and other investors.

##### Our promise to society

We will make compliance one of the most important elements of our business activities. We will actively contribute to public health. We will operate in a manner that is kind to people and eco-friendly.

##### Our promise to business partners

We will build mutually beneficial relationships based on close cooperation and extensive support. We will supply services and improve the quality of those services by working closely with our business partners. We will increase the value of our brand as a member of the Japan Post Group.

##### Our promise to employees

We will provide employees with a pleasant and rewarding workplace. We will respect each employee and provide equal opportunities to everyone. We will provide many forms of assistance for employees to upgrade their skills.

### 3

#### Information on Shares

##### 1. Number of Shares

Total shares issued	20,000,000
---------------------	------------

##### 2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	20,000,000	100%

## 4

## Number of Employees

6,948\* (as of March 31, 2014)

\* The number of employees excludes employees assigned to other companies by Japan Post Insurance Co., Ltd. but includes employees assigned to Japan Post Insurance Co., Ltd. by other companies. The figures do not include short-term contract and part-time employees.

## 5

## List of Directors, Executive Officers and Management Committees

## 1. Directors

(As of July 1, 2014)

President, CEO	
Representative Executive Officer .....	Masami Ishii (Concurrently holds the position of Director, Japan Post Holdings Co., Ltd.)
Deputy President	
Representative Executive Officer .....	Toshihisa Minakata
Director (Outside) .....	Masaharu Hino (Attorney-at-Law)
Director (Outside) .....	Taizo Nishimuro (Concurrently holds the position of Representative Executive Officer and President & CEO, Japan Post Holdings Co., Ltd.)
Director (Outside) .....	Fumiaki Furuya (Concurrently holds the position of Chairman, NIPPON SHUPPAN HANBAI INC.)
Director (Outside) .....	Kiyomi Saito (Concurrently holds the position of CEO, JBond Totan Securities Co., Ltd.)
Director (Outside) .....	Shin Yoshidome (Concurrently holds the position of Senior Adviser, Daiwa Institute of Research Business Innovation Ltd.)
Director (Outside) .....	Shinji Hattori (Concurrently holds the position of Chairman & Group CEO, Seiko Holdings Corporation)

## 2. Executive Officers (Excludes persons holding concurrent posts in addition to the above. 1. Directors)

Deputy President Executive Officer	Shoji Awakura	Executive Officer	Masanori Sato
Senior Managing Executive Officer	Kiyoshi Ido	Executive Officer	Tomoaki Nara
Senior Managing Executive Officer	Akira Anzai	Executive Officer	Yoshihiko Ido
Senior Managing Executive Officer	Kazuhide Kinugawa	Executive Officer	Shinji Ando
Senior Managing Executive Officer	Masaaki Horigane	Executive Officer	Hiroyuki Kutomi
Managing Executive Officer	Kiyotaka Fujimoto	Executive Officer	Nobuyasu Kato
Managing Executive Officer	Yoshito Horie	Executive Officer	Yasutaka Nishikawa
Managing Executive Officer	Mitsuhiko Uehira	Executive Officer	Osamu Kubo
Managing Executive Officer	Tetsuya Senda (Concurrently holds the position of Managing Executive Officer, Japan Post Holdings Co., Ltd.)	Executive Officer	Yasuaki Hironaka
Managing Executive Officer	Yasuhiro Sadayuki	Executive Officer	Hiromichi Udagawa
		Executive Officer	Hiroshi Nagaso
		Executive Officer	Hisao Nishikawa
		Executive Officer	Masato Kawagoe
		Executive Officer	Yasumi Suzukawa

## 3. Nomination Committee

Chairman	Taizo Nishimuro
Member	Masaharu Hino
Member	Shinji Hattori

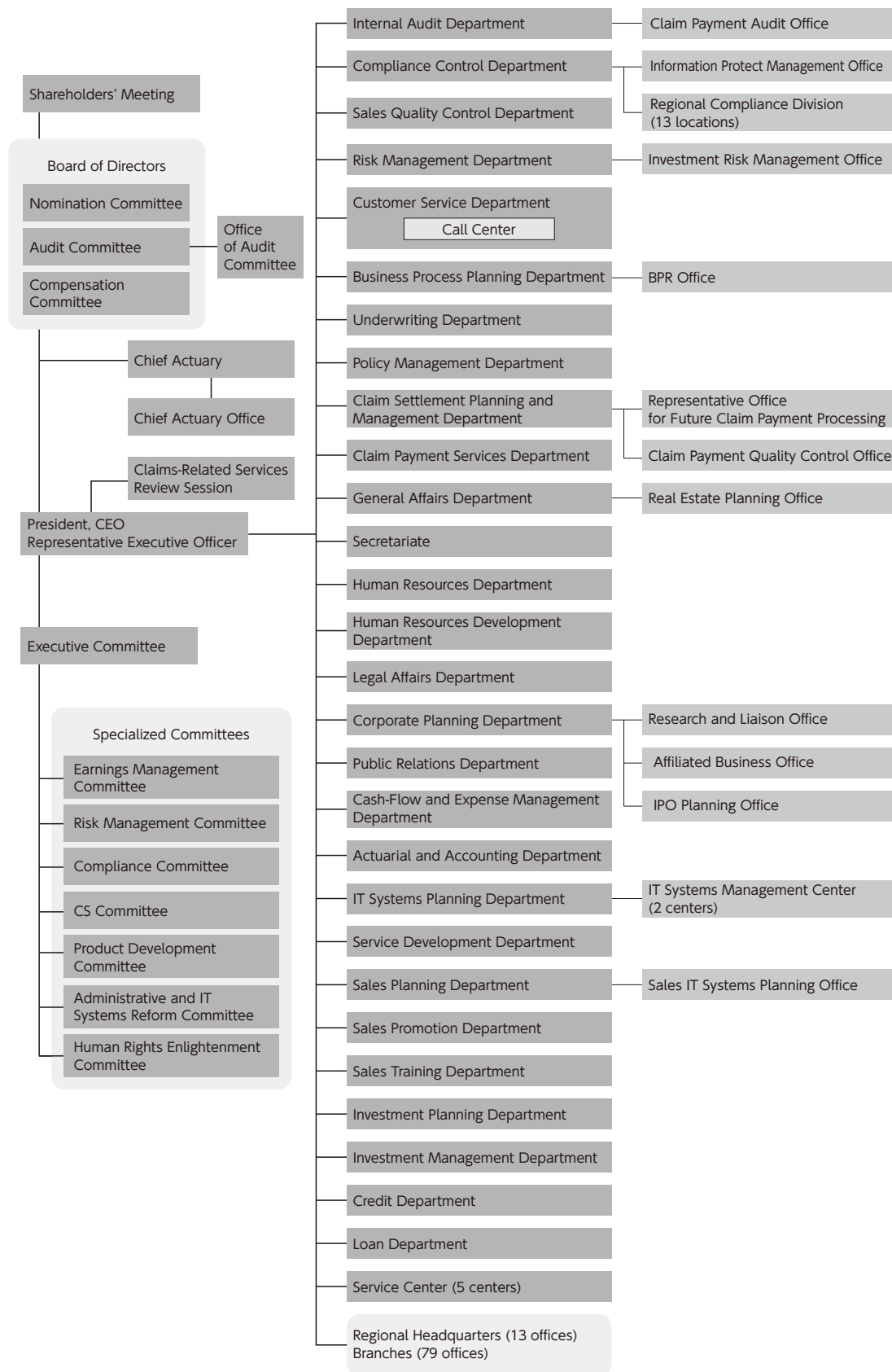
## 5. Compensation Committee

Chairman	Taizo Nishimuro
Member	Fumiaki Furuya
Member	Shinji Hattori

## 4. Audit Committee

Chairman	Masaharu Hino
Member	Kiyomi Saito
Member	Shin Yoshidome

(As of July 1, 2014)





## 7

## Principal Branches

(As of July 1, 2014)

Name of branch	Location	Telephone number
Sapporo	2-1, Odori Higashi, Chuo-ku, Sapporo, Hokkaido 060-0041	011-221-6375
Sendai	1-1-34, Ichibancho, Aoba-ku, Sendai, Miyagi 980-8797	022-267-7851
Saitama	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797	048-600-2073
Yokohama	5-3, Nihon Odori, Naka-ku, Yokohama, Kanagawa 231-8799	045-212-3967
Tokyo	17-1, Toranomom 3-chome, Minato-ku, Tokyo 105-0001	03-6402-6515
Nagano	801, Kurita, Nagano, Nagano 380-8797	026-231-2348
Kanazawa	1-15, Kamitsutsumi-cho, Kanazawa, Ishikawa 920-8797	076-220-3178
Nagoya	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797	052-963-6357
Osaka	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797	06-6944-5516
Hiroshima	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797	082-224-5165
Matsuyama	8-5, Miyata-machi, Matsuyama, Ehime 790-8797	089-936-5274
Kumamoto	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-8797	096-328-5419
Naha	3-3-8, Tsubogawa, Naha, Okinawa 900-8799	098-833-5518

In addition to the above, there are 66 other branches.

## 8

## Outline of Subsidiary

(As of March 31, 2014)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Insurance Ownership	Ownership of voting shares
Japan Post Insurance System Solutions Co., Ltd.	Meguro-ku, Tokyo	60	Commissioned design, de- velopment, maintenance and operations of infor- mation systems	March 8, 1985	100.0%	100.0%



# 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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>Consolidated ordinary income</b>	18,773,630	17,468,947	16,661,440	15,849,185	15,240,126
<b>Consolidated net ordinary income</b>	1,007,260	956,917	1,176,860	1,225,094	1,103,603
<b>Consolidated net income</b>	450,220	418,929	468,907	562,753	479,071
<b>Consolidated comprehensive income</b>	—	410,132	973,067	1,551,771	717,123
<b>Consolidated net assets</b>	9,625,962	9,999,952	10,935,358	12,448,197	13,388,650
<b>Consolidated total assets</b>	298,571,321	292,933,013	292,126,555	292,892,975	292,246,440
<b>Consolidated capital adequacy ratio (domestic standard)</b>	69.77%	61.30%	57.70%	57.38%	49.23%
<b>Consolidated solvency margin ratio</b>	—	—	1,592.5%	1,804.8%	1,791.8%

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). From the fiscal year ended March 31, 2014, the Company has adopted a domestic standard based on Basel III.  
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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>Operating income</b>	317,087	305,878	287,633	265,304	272,988
<b>Net operating income</b>	144,339	140,752	133,264	121,207	146,002
<b>Net ordinary income</b>	147,179	143,466	135,773	125,666	147,837
<b>Net income</b>	145,389	153,622	151,404	145,228	155,090
<b>Net assets</b>	8,265,323	8,382,804	8,496,547	8,602,843	8,719,384
<b>Total assets</b>	9,625,504	9,648,973	9,747,186	9,711,170	9,740,129

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

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>Operating income</b>	1,263,975	1,256,349	1,208,447	2,054,124	2,773,958
<b>Net operating income</b>	52,173	49,548	33,417	91,219	46,999
<b>Net ordinary income</b>	62,439	58,260	42,745	100,299	52,532
<b>Net income</b>	32,981	30,661	18,826	83,012	32,911
<b>Net assets</b>	267,122	289,538	300,700	543,076	560,972
<b>Total assets</b>	3,252,318	3,249,823	3,120,978	4,806,509	4,801,764

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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>Operating income</b>	1,813,048	1,779,870	1,764,861	1,754,426	1,777,635
<b>Net operating income</b>	42,779	(103,473)	(22,354)	37,405	9,454

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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>Operating income</b>	1,263,975	1,256,349	1,208,447	1,187,938	1,183,528
<b>Net operating income</b>	52,173	49,548	33,417	27,216	37,545

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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>Ordinary income (Revenues)</b>	2,207,942	2,205,344	2,234,596	2,125,888	2,076,397
<b>Net ordinary income</b>	494,252	526,550	576,215	593,535	565,095
<b>Net income</b>	296,758	316,329	334,850	373,948	354,664
<b>Net assets</b>	8,839,547	9,093,634	9,818,162	10,997,558	11,464,524
<b>Total assets</b>	194,678,352	193,443,350	195,819,898	199,840,681	202,512,882
<b>Capital adequacy ratio (non-consolidated domestic standard)</b>	91.62%	74.82%	68.39%	66.04%	56.81%

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). From the fiscal year ended March 31, 2014, the Company has adopted a domestic standard based on Basel III.

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

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>Ordinary income</b>	14,591,640	13,375,468	12,538,618	11,834,920	11,233,925
<b>Net ordinary income</b>	379,623	422,207	531,388	529,375	463,506
<b>Net income</b>	70,126	77,276	67,734	91,000	63,428
<b>Net assets</b>	1,169,366	1,207,690	1,292,077	1,464,771	1,534,457
<b>Total assets</b>	100,969,782	96,786,765	93,688,672	90,462,364	87,088,626
<b>Solvency margin ratio</b>	1,663.9%	1,821.6% (1,153.9%)	1,336.1%	1,467.9%	1,623.4%

Note: In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the total amount of solvency margin and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.). As a result of this change, the above results for the fiscal 2010 and fiscal 2011 have been calculated using a different standard from the results for fiscal 2012 to fiscal 2014. Moreover, the figure given in brackets for the fiscal 2011 is calculated by the fiscal 2012 standard.

## 2. Japan Post Group Companies —Consolidated Financial Data

The consolidated balance sheets as of March 31, 2014 and 2013 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	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)	Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
<b>Assets</b>			<b>Liabilities</b>		
Cash and due from banks	10,862,494	21,994,452	Deposits	174,857,218	175,291,979
Call loans	2,041,185	2,073,594	Policy reserves	84,746,052	80,799,941
Receivables under securities borrowing transactions	10,472,820	10,034,958	Reserve for outstanding claims	947,123	831,690
Monetary claims bought	486,253	169,721	Policy reserve	81,401,981	77,745,490
Trading account securities	247	278	Reserve for policyholders' dividends	2,396,947	2,222,759
Money held in trust	3,295,696	3,500,631	Payables under securities lending transactions	12,557,798	14,370,767
Securities	244,330,341	235,623,120	Foreign exchanges	272	249
Loans	16,659,553	14,096,911	Other liabilities	3,384,192	3,678,082
Foreign exchanges	3,051	30,659	Reserve for employees' bonuses	96,017	93,649
Other assets	1,175,289	1,083,760	Reserve for employees' retirement benefits	3,259,201	—
Tangible fixed assets	2,712,047	2,665,243	Net defined benefit liabilities	—	2,884,827
Buildings	1,077,645	1,036,110	Reserve under the special laws	522,872	614,233
Land	1,447,840	1,445,909	Reserve for price fluctuations in security investments	522,872	614,233
Construction in progress	15,679	27,838	Deferred tax liabilities	876,152	1,009,058
Other tangible fixed assets	170,881	155,384	Acceptances and guarantees	145,000	115,000
Intangible fixed assets	253,244	270,559	<b>Total Liabilities</b>	<b>280,444,778</b>	<b>278,857,789</b>
Software	236,583	253,935	<b>Net Assets</b>		
Other intangible fixed assets	16,660	16,623	Capital stock	3,500,000	3,500,000
Deferred tax assets	462,515	592,844	Capital surplus	4,503,856	4,503,856
Customers' liabilities for acceptances and guarantees	145,000	115,000	Retained earnings	2,527,181	2,967,703
Allowance for doubtful accounts	(6,765)	(5,295)	Total shareholders' equity	10,531,037	10,971,559
<b>Total Assets</b>	<b>292,892,975</b>	<b>292,246,440</b>	Net unrealized gains (losses) on available-for-sale securities	2,292,561	2,750,463
			Deferred gains (losses) on derivatives under hedge accounting	(376,823)	(596,892)
			Foreign currency translation adjustments	—	66
			Remeasurements of defined benefit plans	—	261,879
			Total accumulated other comprehensive income	1,915,738	2,415,517
			Minority interests	1,421	1,573
			<b>Total Net Assets</b>	<b>12,448,197</b>	<b>13,388,650</b>
			<b>Total Liabilities and Net Assets</b>	<b>292,892,975</b>	<b>292,246,440</b>

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Ordinary income</b>	<b>15,849,185</b>	<b>15,240,126</b>
Postal service income	1,734,593	1,761,145
Banking service income	2,124,905	2,075,516
Insurance service income	11,834,831	11,233,998
Other ordinary income	154,855	169,465
<b>Ordinary expenses</b>	<b>14,626,617</b>	<b>14,136,522</b>
Operating expenses	12,164,888	11,640,717
Personnel expenses	2,283,878	2,300,355
Depreciation	162,440	175,682
Other ordinary expenses	15,409	19,767
<b>Income (expenses) from contribution to society and community funds assets</b>	<b>2,527</b>	<b>—</b>
Income from contribution to society and community funds assets	2,527	—
Expenses for contribution to society and community funds assets	0	—
<b>Net ordinary income</b>	<b>1,225,094</b>	<b>1,103,603</b>
<b>Extraordinary gains</b>	<b>1,969</b>	<b>1,811</b>
Gains on sales of fixed assets	412	371
Compensation for transfer	436	495
Gain on liquidation of subsidiaries and affiliates	352	—
Compensation income	622	932
Other extraordinary gains	144	12
<b>Extraordinary losses</b>	<b>79,911</b>	<b>122,801</b>
Losses on sales and disposal of fixed assets	4,832	13,706
Impairment losses	5,584	13,655
Provision for reserve under the special law	64,656	91,360
Provision for reserve for price fluctuations	64,656	91,360
Group reorganization expenses	4,502	—
Loss from construction work on aging facilities	—	974
Other extraordinary losses	335	3,104
Provision for reserve for policyholders' dividends	307,427	242,146
<b>Net income before income taxes and minority interests</b>	<b>839,725</b>	<b>740,466</b>
Income taxes current	446,519	381,825
Income taxes deferred	(169,624)	(120,582)
<b>Total income taxes</b>	<b>276,894</b>	<b>261,242</b>
<b>Income before minority interests</b>	<b>562,831</b>	<b>479,224</b>
Minority interests	77	152
<b>Net income</b>	<b>562,753</b>	<b>479,071</b>

### Consolidated Statements of Comprehensive Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Income before minority interests</b>	<b>562,831</b>	<b>479,224</b>
<b>Other comprehensive income</b>	<b>988,940</b>	<b>237,899</b>
Net unrealized gains (losses) on available-for-sale securities	1,295,173	457,899
Deferred gains (losses) on derivatives under hedge accounting	(306,233)	(220,069)
Foreign currency translation adjustments	—	66
Share of other comprehensive income of entities accounted for by the equity method	—	2
<b>Total comprehensive income</b>	<b>1,551,771</b>	<b>717,123</b>
Total comprehensive income attributable to:		
Owners of the parent	1,551,694	716,970
Minority interests	77	152



## Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

Item	Shareholders' equity				Contribution to society and community funds	Valuation and translation adjustments of contribution to society and community funds
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity		
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	1,942,074	9,945,930	60,204	1,080
Changes during the period						
Cash dividends			(37,851)	(37,851)		
Net income for the period			562,753	562,753		
Contribution to society and community funds			60,204	60,204		
Net changes other than shareholders' equity					(60,204)	(1,080)
Total changes during the period	—	—	585,106	585,106	(60,204)	(1,080)
Balance at the end of the current fiscal year	3,500,000	4,503,856	2,527,181	10,531,037	—	—

Item	Accumulated other comprehensive income			Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	997,387	(70,589)	926,797	1,345	10,935,358
Changes during the period					
Cash dividends					(37,851)
Net income for the period					562,753
Contribution to society and community funds					60,204
Net changes other than shareholders' equity	1,295,173	(306,233)	988,940	76	927,731
Total changes during the period	1,295,173	(306,233)	988,940	76	1,512,838
Balance at the end of the current fiscal year	2,292,561	(376,823)	1,915,738	1,421	12,448,197

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	2,527,181	10,531,037
Changes during the period				
Cash dividends			(38,550)	(38,550)
Net income for the period			479,071	479,071
Net changes other than shareholders' equity				
Total changes during the period	—	—	440,521	440,521
Balance at the end of the current fiscal year	3,500,000	4,503,856	2,967,703	10,971,559

Item	Accumulated other comprehensive income					Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	2,292,561	(376,823)	—	—	1,915,738	1,421	12,448,197
Changes during the period							
Cash dividends							(38,550)
Net income for the period							479,071
Net changes other than shareholders' equity	457,902	(220,069)	66	261,879	499,778	152	499,931
Total changes during the period	457,902	(220,069)	66	261,879	499,778	152	940,452
Balance at the end of the current fiscal year	2,750,463	(596,892)	66	261,879	2,415,517	1,573	13,388,650

## Consolidated Statements of Cash Flows

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Cash flows from operating activities:</b>		
Net income before income taxes and minority interests	839,725	740,466
Depreciation	162,440	175,682
Impairment losses	5,584	13,655
Equity in losses (gains) of affiliates	(22)	(12)
Increase (decrease) in reserve for outstanding claims	(48,611)	(115,432)
Increase (decrease) in policy reserve	(3,741,858)	(3,656,490)
Interest on reserve for policyholders' dividends	9,008	4,627
Provision for reserve for policyholders' dividends	307,427	242,146
Increase (decrease) in allowance for doubtful accounts	(1,458)	(1,470)
Increase (decrease) in reserve for employees' bonuses	6,625	(2,367)
Increase (decrease) in reserve for employees' retirement benefits	(122,314)	—
Increase (decrease) in net defined benefit liabilities	—	(374,374)
Increase (decrease) in reserve for price fluctuations	64,656	91,360
Interest and dividend income-accrual basis	(1,501,699)	(1,459,322)
Interest expenses-accrual basis	3,790	5,008
Interests and dividend income	(1,876,142)	(1,827,610)
Interest expenses	349,299	361,245
Losses (gains) related to securities	(84,828)	(66,359)
Losses (gains) on money held in trust	(80,281)	(113,593)
Losses (gains) on foreign exchanges	(96,943)	(281,267)
Losses (gains) on sales and disposal of fixed assets	4,354	13,354
Group reorganization expenses	4,502	—
Net (increase) decrease in loans and bills discounted	165,141	890,310
Net increase (decrease) in deposits	423,206	434,761
Net (increase) decrease in negotiable certificates of deposit	(50,000)	20,000
Net (increase) decrease in call loans	(595,419)	(9,577)
Net (increase) decrease in receivables under securities borrowing transactions	(2,362,705)	928,763
Net increase (decrease) in payables under securities lending transactions	1,141,147	1,224,351
Net (increase) decrease in foreign exchange assets	(421)	(27,608)
Net increase (decrease) in foreign exchange liabilities	119	(23)
Interests and dividends received	2,064,065	2,012,796
Interest paid	(172,227)	(205,712)
Others	(40,514)	166,840
Subtotal	(5,224,352)	(815,849)
Interests and dividend income-cash basis	1,583,241	1,654,629
Interest expenses-cash basis	(3,791)	(4,957)
Dividends to policyholders paid	(430,448)	(420,523)
Income taxes paid	(508,261)	(394,466)
Others	(363)	—
<b>Net cash provided by (used in) operating activities</b>	<b>(4,583,976)</b>	<b>18,831</b>

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Cash flows from investing activities:</b>		
Payments for time deposits	—	(715)
Payments for purchase of call loans	(30,330,152)	(32,758,125)
Proceeds from redemption of call loans	30,724,414	32,731,552
Payments for purchase of monetary claims bought	(2,044,334)	(2,746,495)
Proceeds from sales and redemption of monetary claims bought	1,632,157	3,066,421
Net increase (decrease) in receivables/ payables under securities borrowing/ lending transactions	313,935	97,715
Payments for purchase of securities	(87,757,707)	(41,594,136)
Proceeds from sales of securities	5,224,515	4,029,294
Proceeds from redemption of securities	91,598,170	46,827,862
Payments for increase in money held in trust	(766,930)	(459,900)
Proceeds from decrease in money held in trust	959,112	564,939
Payments for loans	(1,802,877)	(1,610,723)
Proceeds from collection of loans	3,034,930	3,273,670
Payments for purchase of tangible fixed assets	(70,636)	(76,047)
Proceeds from sales of tangible fixed assets	1,598	1,437
Payments for purchase of intangible fixed assets	(88,083)	(84,912)
Others	(196,540)	(81,647)
<b>Net cash provided by investing activities</b>	<b>10,431,572</b>	<b>11,180,189</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	4,370	4,050
Repayments of borrowings	(3,734)	(4,489)
Dividends paid	(37,851)	(38,550)
Dividends paid to minority shareholders	(1)	—
Others	(2,019)	(1,415)
<b>Net cash used in financing activities</b>	<b>(39,236)</b>	<b>(40,405)</b>
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>687</b>	<b>661</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,809,046</b>	<b>11,159,277</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,561,347</b>	<b>10,370,394</b>
<b>Cash and cash equivalents at end of year</b>	<b>10,370,394</b>	<b>21,529,671</b>

## Notes to Consolidated Financial Statements

### Basis of Presentation of Consolidated Financial Statements

#### 1. The scope of consolidation

##### (1) Consolidated subsidiaries: 16

Principal companies:

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

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

##### (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) and accumulated other comprehensive income (amount corresponding to Japan Post Group's equity position) are immaterial. This exclusion from the scope of consolidation does not prevent a reasonable judgment of the consolidated financial position of the Japan Post Group and its subsidiaries and the result of their operations.

#### 2. Application of the equity method

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

None

##### (2) Equity-method affiliates: 3

JA Foods Oita Co., Ltd.  
SDP Center Co., Ltd.  
ATM Japan Business Service, Ltd.

JA Foods Oita Co., 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 minimal 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) and accumulated other comprehensive income (amount corresponding to Japan Post Group's equity position).

##### (4) Affiliates not accounted for by the equity method

None

#### 3. The balance sheet dates of consolidated subsidiaries

##### (1) Fiscal year-end for consolidated subsidiaries

End of December: 1  
End of March: 15

##### (2) Consolidated subsidiary with settlement date at the end of December is consolidated based on the financial statements as of this settlement date.

Necessary adjustments are carried out for principal transactions occurred during the time between the Company's consolidated settlement date and the above-mentioned settlement date.

#### 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

###### 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) Accounting for employees' retirement benefits

###### 1) In calculating employees' retirement benefit obligation, straight-line basis is used for attributing projected retirement benefit amounts to the period up to the end of the current fiscal year. 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.

Prior service cost is amortized as cost using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel.

(Additional information)

Due to the enactment of the "Act for Partial Revision of the Employees' Pension Insurance Act, etc. for Unifying Employees' Pension Insurance Systems" (Act No.63 of 2012), benefits related to the public service pension period will be reduced in the future, with the enforcement date of August 1, 2013. Along with this, the Company received necessary information and calculated the amount of the impact of this revision. As a result, ¥117,175 million of prior service costs have accrued due to the reduced amount of retirement benefit liabilities. These prior service costs will be amortized as expenses using the straight-line method over certain years (10 years) within the estimated average remaining payment periods.

- 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) 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.

- (9) 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.

- (10) Amortization method of goodwill and amortization period

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

- (11) Reserve for price fluctuations in security investments

Reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Act.

- (12) 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").

- (13) 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, Paragraph 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 ¥175,129 million.

## Changes in Accounting Policies

From the end of the current fiscal year, the Company has been applying the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012; hereinafter the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012; hereinafter the "Guidance on Retirement Benefits") (except for the provisions set forth in the main text of Clause 35 of Accounting Standard for Retirement Benefits and in the main text of Clause 67 of the Guidance on Retirement Benefits). The Company posts retirement benefit obligation less pension assets as net defined benefit liabilities.

The application of the Accounting Standard for Retirement Benefits and the Guidance on Retirement Benefits is subject to the transitional accounting treatment set forth in Clause 37 of the Accounting Standard for Retirement Benefits and at the end of the current fiscal year the Company posts unrecognized actuarial difference and unrecognized prior service costs after tax effect adjustment as remeasurements of defined benefit plans in total accumulated other comprehensive income.

As a result, the Company recorded ¥2,884,827 million in net defined benefit liabilities at the end of the current fiscal year. Deferred tax assets decreased ¥1,020 million and deferred tax liabilities increased ¥2,548 million and total accumulated other comprehensive income increased ¥261,879 million.

## Additional Information

Revisions to deferred tax assets and deferred tax liabilities due to the change in rates of corporate income taxes, etc.

The Act for Partial Revision of the Income Tax Act, etc. (Act. No. 10 of 2014) was promulgated on March 31, 2014, and the special corporation tax for reconstruction will no longer be imposed from fiscal years starting on or after April 1, 2014. As a result of this change in the tax rates, deferred tax assets decreased ¥5,233 million, deferred tax liabilities decreased ¥2,927 million, and income taxes deferred increased ¥7,354 million.



## Notes to Consolidated Balance Sheets

- Securities include ¥1,067 million in shares of non-consolidated subsidiaries and affiliates.
- Secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions) in the amount of ¥100,660 million is included in government bonds within "Securities."  
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 ¥10,031,422 million.
- Among loans, there were no bankrupt loans, non-accrual delinquent loans, past-due loans (three months or more), and restructured loss amounts.
- Accumulated depreciation of tangible fixed assets: ¥910,337 million
- Reduction entry amount for tangible fixed assets: ¥62,214 million
- Changes in reserve for policyholders' dividends  
Amount at the beginning of the current fiscal year: ¥2,396,947 million  
Dividends to policyholders paid in the current fiscal year: ¥420,523 million  
Increase in interest: ¥4,627 million  
Decrease due to increased annuity purchases: ¥438 million  
Provision for reserve for policyholders' dividends: ¥242,146 million  
Amount at the end of the current fiscal year: ¥2,222,759 million
- Reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act amounted to ¥82 million. Policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act amounted to ¥183 million.
- 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 ¥18,834 million.  
Such burden charges are processed as operating expenses within the consolidated accounting year.
- 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 ¥57,879,628 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, ¥2,350,030 million in contingency reserve and ¥554,723 million in reserve for price fluctuations in security investments are provided.

## 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, ¥222,812 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:	¥813,880 million
Reclassification adjustments:	¥(114,528) million
Before tax effect adjustment:	¥699,352 million
Tax effect:	¥(241,453) million
Net unrealized gains (losses) on available-for-sale securities:	¥457,899 million
Deferred gains (losses) on derivatives under hedge accounting	
Amount incurred during the current fiscal year:	¥(494,241) million
Reclassification adjustments:	¥156,509 million
Asset acquisition cost adjustment:	¥(4,199) million
Before tax effect adjustment:	¥(341,931) million
Tax effect:	¥121,862 million
Deferred gains (losses) on derivatives under hedge accounting:	¥(220,069) million
Foreign currency translation adjustments	
Amount incurred during the current fiscal year:	¥66 million
Share of other comprehensive income of entities accounted for by the equity method	
Amount incurred during the current fiscal year:	¥2 million
Total other comprehensive income:	¥237,899 million

## Notes to Consolidated Statements of Changes in Net Assets

- Type and number of shares issued

	April 1, 2013	Increase	Decrease	(Thousands of shares) March 31, 2014	Remarks
Outstanding shares					
Common shares	150,000	—	—	150,000	

- Information concerning dividends

In accordance with Article 11 of the Japan Post Holdings Co., Ltd. Law, dividend distribution from retained earnings is subject to approval by the Minister of Internal Affairs and Communications.

Cash dividends (paid) of the current fiscal year

(Resolution)	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors on May 22, 2013	Common shares	38,550	257.00	March 31, 2013	June 20, 2013

## Notes to Consolidated Statements of Cash Flows

The reconciliation of cash and cash equivalents in the consolidated statements of cash flows to cash and due from banks as stated in the consolidated balance sheets as of March 31, 2014 is as follows.

Cash and due from banks:	¥21,994,452 million
Negotiable certificates of deposit held by the banking subsidiary included in cash and due from banks:	¥(615,000) million
Negotiable certificates of deposit included in securities:	¥151,000 million
Deposits with maturities of more than three months:	¥(781) million
Cash and cash equivalents:	¥21,529,671 million

## Financial Instruments

- Status of Financial Instruments

- Approach to Financial Instruments

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

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

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

- Features and Risks of Financial Instruments

In the Group, financial assets owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. consist mainly of securities such as domestic and overseas securities, in particular 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.

- Risk Management Framework for Financial Instruments

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

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

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

- Credit Risk Management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify credit risk exposure, respectively in accordance with rules on credit risk management. Moreover, to control credit concentration risk, they provide credit limits for individual companies and corpo-

rate 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, 2014 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	21,994,452	21,994,452	—
(2) Call loans	2,073,594	2,073,594	—
(3) Receivables under securities borrowing transactions	10,034,958	10,034,958	—
(4) Monetary claims bought	169,721	169,721	—
(5) Trading account securities: Securities classified as trading purposes			
Trading securities	278	278	—
(6) Money held in trust	3,500,631	3,500,631	—
(7) Securities			
Held-to-maturity securities	134,875,084	140,527,456	5,652,372
Policy reserve-matching bonds	17,953,667	19,052,820	1,099,152
Available-for-sale securities	82,653,215	82,653,215	—
(8) Loans	14,096,911		
Reserve for possible loan losses (* 1)	(208)		
	14,096,702	15,138,720	1,042,017
Total Assets	287,352,306	295,145,848	7,793,542
(1) Deposits	175,291,979	175,946,708	654,728
(2) Payables under securities lending transactions	14,370,767	14,370,767	—
Total Liabilities	189,662,747	190,317,476	654,728
Derivative transactions (* 2)			
For which hedge accounting is not applied	141	141	—
For which hedge accounting is applied	(1,001,481)	(1,001,481)	—
Total derivative transactions	(1,001,339)	(1,001,339)	—

(\* 1) Reserve for general loan losses corresponding to loans has been deducted.

(\* 2) 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 negative, 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)	141,152
Total	141,152

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	20,935,334	—	—	—	—	—
Call loans	2,073,594	—	—	—	—	—
Receivables under securities borrowing transactions	10,034,958	—	—	—	—	—
Monetary claims bought	81,063	1,378	13,761	10,000	7,000	54,400
Securities Held-to-maturity securities	27,338,868	33,550,436	19,485,905	9,829,264	21,284,129	22,847,540
Policy reserve-matching bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Available-for-sale securities with maturities	11,007,251	17,463,015	13,216,786	12,928,143	14,303,986	3,362,236
Loans	2,579,870	2,801,100	2,183,133	1,899,461	2,136,635	2,492,467
<b>Total</b>	<b>75,065,341</b>	<b>58,646,353</b>	<b>38,504,713</b>	<b>26,250,661</b>	<b>40,463,948</b>	<b>32,813,344</b>

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)	74,709,231	11,218,546	32,951,793	22,382,440	34,029,968	—
Payables under securities lending transactions	14,370,767	—	—	—	—	—
<b>Total</b>	<b>89,079,998</b>	<b>11,218,546</b>	<b>32,951,793</b>	<b>22,382,440</b>	<b>34,029,968</b>	<b>—</b>

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," and a portion of "Monetary claims bought" in addition to "Securities" in the consolidated balance sheets.

### 1. Trading account securities (As of March 31, 2014)

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, 2014)

(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	114,982,371	119,922,919	4,940,548
	Japanese local government bonds	8,709,765	9,115,202	405,436
	Japanese corporate bonds	7,991,710	8,290,168	298,458
	Others	263,235	329,613	66,378
	<b>Subtotal</b>	<b>131,947,082</b>	<b>137,657,903</b>	<b>5,710,821</b>
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	2,564,947	2,561,639	(3,308)
	Japanese local government bonds	125,077	124,177	(899)
	Japanese corporate bonds	237,976	237,723	(253)
	Others	—	—	—
	<b>Subtotal</b>	<b>2,928,001</b>	<b>2,923,540</b>	<b>(4,461)</b>
<b>Total</b>		<b>134,875,084</b>	<b>140,581,444</b>	<b>5,706,359</b>

### 3. Bonds earmarked for policy reserves (As of March 31, 2014)

(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	16,783,518	17,861,458	1,077,940
	Japanese local government bonds	652,123	670,555	18,431
	Japanese corporate bonds	174,853	178,935	4,081
	<b>Subtotal</b>	<b>17,610,495</b>	<b>18,710,949</b>	<b>1,100,453</b>
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	233,293	232,257	(1,036)
	Japanese local government bonds	100,614	100,372	(241)
	Japanese corporate bonds	9,263	9,240	(23)
	<b>Subtotal</b>	<b>343,171</b>	<b>341,870</b>	<b>(1,300)</b>
<b>Total</b>		<b>17,953,667</b>	<b>19,052,820</b>	<b>1,099,152</b>



## 4. Available-for-sale securities (As of March 31, 2014)

(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	20,813	16,728	4,085
	Bonds	55,968,385	54,431,554	1,536,830
	Japanese government bonds	42,591,140	41,414,466	1,176,674
	Japanese local government bonds	4,864,598	4,741,977	122,621
	Short-term corporate bonds	—	—	—
	Japanese corporate bonds	8,512,646	8,275,111	237,535
	Others	22,288,803	19,960,802	2,328,001
	Subtotal	78,278,003	74,409,085	3,868,917
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Shares	408	486	(78)
	Bonds	2,945,039	2,957,468	(12,428)
	Japanese government bonds	1,773,535	1,773,686	(150)
	Japanese local government bonds	271,980	272,391	(411)
	Short-term corporate bonds	333,979	333,979	—
	Japanese corporate bonds	565,544	577,410	(11,865)
	Others	2,918,785	2,930,949	(12,164)
	Subtotal	5,864,233	5,888,904	(24,671)
Total		84,142,236	80,297,989	3,844,246

## 5. Held-to-maturity securities sold during the fiscal year

(From April 1, 2013 to March 31, 2014)

None

## 6. Bonds earmarked for policy reserves sold during the fiscal year

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Japanese government bonds	1,962,621	68,754	—
Japanese local government bonds	109,350	2,212	—
Total	2,071,972	70,967	—

## 7. Available-for-sale securities sold during the fiscal year

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Shares	2,983	1,226	7
Bonds	1,582,285	8,974	11,344
Japanese government bonds	1,560,117	8,484	8,277
Japanese corporate bonds	22,168	489	3,066
Others	369,797	340	13,592
Total	1,955,066	10,541	24,944

## Money Held in Trust

## 1. Money held in trust for trading purposes (As of March 31, 2014)

None

## 2. Money held in trust classified as held-to-maturity (As of March 31, 2014)

None

## 3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2014)

(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	3,500,631	2,762,362	738,268	747,393	(9,124)

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

(From April 1, 2013 to March 31, 2014)

## 1. Summary of retirement benefit scheme

The Company and its principal consolidated subsidiaries have defined-benefit plans in the form of a lump-sum payment plan. Some consolidated subsidiaries use the simplified method in calculating retirement benefit obligation. Liability amounts for "share of public service pension" and "share of another public service pension" are included in the Company's retirement benefit obligation.

## 2. Defined-benefit plan

## (1) Reconciliation statement for beginning balance to year-end balance of retirement benefit obligation

Beginning balance of retirement benefit obligation	¥3,113,194 million
Service cost	111,364
Interest cost	51,105
Actuarial differences incurred in the current fiscal year	(15,368)
Retirement benefit paid	(247,589)
Prior service cost incurred	(117,175)
Year-end balance of retirement benefit obligation	2,895,530

## (2) Reconciliation statement for beginning balance to year-end balance of pension assets

Beginning balance of pension assets	¥10,669 million
Expected return on assets	220
Actuarial differences incurred in the current fiscal year	437
Contribution from business operators	1,267
Retirement benefit paid	(1,891)
Year-end balance of pension assets	10,702

## (3) Reconciliation statement for year-end balance of retirement benefit obligation and pension assets to retirement benefit liabilities and retirement benefit assets recorded on the consolidated balance sheets

Accumulation-type retirement benefit obligation	¥11,905 million
Pension assets	(10,702)
	1,202
Non-accumulation-type retirement benefit obligation	2,883,624
Lump-sum payment	2,251,384
Share of public service pension	630,724
Share of another public service pension	1,515
Net amount of liabilities and assets recorded on the consolidated balance sheets	2,884,827
Net retirement benefit liabilities	2,884,827
Net amount of liabilities and assets recorded on the consolidated balance sheets	2,884,827

## (4) The amount of retirement benefit expenses and subitems

Service cost	¥111,364 million
Interest cost	51,105
Expected return on pension assets	(220)
Amortization of actuarial differences	(15,904)
Amortization of prior service cost	(8,304)
Others	29
Retirement benefit expenses pertaining to the defined-benefit plan	138,069

## (5) Remeasurements of defined benefit plans

A breakdown of items (before tax effect deductions) recorded in remeasurements of defined benefit plan is as follows.

Unrecognized prior service cost	¥110,663 million
Unrecognized actuarial differences	154,785
Total	265,448

(6) Matters concerning pension assets

1) The percentages of each principal category to total pension plan assets are as follows.

Bonds	52%
Equities	21
Cash and deposits	1
Others	26
Total	100

2) Method for setting the rate of long-term expected return on pension assets

The rate of long-term expected return on pension assets is set based on present and projected future pension asset allocation as well as by considering the rate of present and long-term expected return from the diverse assets that compose the pension assets.

(7) Matters concerning the basis for calculation of retirement benefit obligation

Basis for actuarial calculations at the end of the current fiscal year

Discount rate 0.6~1.7%

Rate of long-term expected return on pension assets 2.0%

## Risk-Monitored Loans

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Bankrupt loans	—	—
Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	—	—

## Per Share Information

(yen)

2014 (From April 1, 2013 to March 31, 2014)	
Net assets per share	89,247.18
Net income per share	3,193.81

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

## Subsequent Events

(Reduction in capital reserves)

At a meeting of the Board of Directors on May 21, 2014, the Board passed a resolution to submit a bill for reducing capital reserves at the shareholders' meeting convened on June 25, 2014, and this bill was approved at the meeting.

(1) Purpose

Capital reserves will be reduced in preparation for carrying out flexible capital policies in the future as well as assuring resiliency in terms of financial strategy.

(2) Main points of capital reserves reduction

In accordance with Article 448, Paragraph 1 of the Companies Act, capital reserves shall be transferred to other capital surplus.

1) Amount of capital reserves reduction

The amount of the capital reserves reduction shall be ¥3,628,856,095,788 from total capital reserves of ¥4,503,856,095,788.

2) Categories of surplus capital that will increase and amounts

Other capital surplus ¥3,628,856,095,788

(3) Effective date of capital reserves reduction

December 1, 2014 (planned)

## Segment Information, etc.

(Segment Information)

### 1. Overview of Reportable Segments

The respective reportable segments are rule-based aggregations of the Company's elements whose financial information is available and which are reviewed regularly by management to make decisions regarding the allocation of management resources and assess operating results.

The Group assesses business results mainly by each consolidated subsidiary (Japan Post Co., Ltd. is divided into the postal service business segment and the post office business segment). Therefore, these units are arranged into identifiable business segments. As for similarities in each business segment's economic features, the markets where products and services are sold and types of customers, those business segments where similarities are recognized have been aggregated to establish reportable segments.

The reportable segments are the postal service business and the post office businesses centering on Japan Post Co., Ltd., the banking business centering on Japan Post Bank Co., Ltd. and the life insurance business undertaken by Japan Post Insurance Co., Ltd.

### 2. Method of calculating the value of each reportable segment's ordinary income, profit (loss), assets and other items

The accounting method for reporting business segments is the same as that listed in Basis of Presentation of the Consolidated Financial Statements.

Intersegment ordinary income is based on price determined by market price or total cost.

### 3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment

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

(Millions of yen)

	Reportable segments					Others	Total
	Postal service business	Post office business	Banking business	Life insurance business	Subtotal		
Ordinary income							
Ordinary income from external customers	1,739,570	90,740	2,124,905	11,834,831	15,790,047	59,137	15,849,185
Ordinary income from internal transactions	60,657	1,184,953	1,005	113	1,246,730	213,596	1,460,327
Total	1,800,227	1,275,694	2,125,910	11,834,945	17,036,778	272,734	17,309,512
Segment profit	49,215	33,551	593,557	528,946	1,205,271	125,301	1,330,573
Segment assets	1,913,110	3,013,407	199,840,670	90,463,501	295,230,689	9,712,785	304,943,474
Other items							
Depreciation	60,187	30,026	25,812	34,390	150,416	12,185	162,602
Amortization of goodwill	—	—	—	—	—	4	4
Interest received, interest and dividends income	267	626	1,876,142	1,500,194	3,377,230	138	3,377,369
Interest expenses	25	0	349,831	3,753	353,610	11	353,621
Equity in gains of affiliates	—	—	22	—	22	—	22
Extraordinary gains	572	598	—	127	1,298	670	1,969
Extraordinary losses	3,819	2,996	1,983	67,107	75,906	4,018	79,924
Losses on sales and disposal of fixed assets	830	893	874	1,958	4,557	284	4,841
Impairment losses	1,363	1,018	606	—	2,988	2,599	5,588
Provision for reserve for price fluctuations	—	—	—	64,656	64,656	—	64,656
Tax expenses	16,818	1,566	217,604	63,861	299,851	(22,957)	276,894
Investment to companies accounted for by the equity method	—	—	923	—	923	—	923
Increase in tangible and intangible fixed assets	43,285	30,679	22,104	39,746	135,815	15,827	151,642

Note 1: Ordinary income is listed in place of net sales common in general type companies.

Note 2: "Others" includes the hotel business and hospital business, which are not included in the reportable segments. Also, segment profit for "Others" includes Dividend income from affiliated companies recorded by the Company in the amount of ¥105,353 million.

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segments					Others	Total
	Postal service business	Post office business	Banking business	Life insurance business	Subtotal		
Ordinary income							
Ordinary income from external customers	1,767,818	104,203	2,075,516	11,233,998	15,181,537	58,588	15,240,126
Ordinary income from internal transactions	54,103	1,169,984	897	106	1,225,092	229,210	1,454,303
Total	1,821,922	1,274,188	2,076,414	11,234,105	16,406,630	287,799	16,694,429
Segment profit	18,540	39,236	565,084	462,748	1,085,610	148,144	1,233,755
Segment assets	2,017,207	2,893,901	202,512,860	87,092,800	294,516,769	9,753,351	304,270,121
Other items							
Depreciation	63,904	34,095	33,480	34,074	165,555	10,211	175,766
Amortization of goodwill	—	—	—	—	—	4	4
Interest received, interest and dividends income	926	559	1,827,610	1,458,190	3,287,286	148	3,287,434
Interest expenses	37	0	361,747	4,963	366,748	6	366,755
Equity in gains of affiliates	—	23	(11)	—	12	—	12
Extraordinary gains	378	972	—	—	1,351	459	1,811
Extraordinary losses	5,914	5,551	628	100,030	112,124	11,210	123,335
Losses on sales and disposal of fixed assets	1,993	1,111	562	8,670	12,338	1,374	13,712
Impairment losses	374	3,375	65	—	3,815	9,836	13,652
Provision for reserve for price fluctuations	—	—	—	91,360	91,360	—	91,360
Tax expenses	(865)	12,294	209,802	57,769	279,000	(17,757)	261,242
Investment to companies accounted for by the equity method	—	90	912	—	1,002	—	1,002
Increase in tangible and intangible fixed assets	38,687	25,011	17,700	58,915	140,315	27,114	167,429

Note 1: Ordinary income is listed in place of net sales common in general type companies.

Note 2: "Others" includes the hotel business and hospital business, which are not included in the reportable segments. Also, segment profit for "Others" includes Dividend income from affiliated companies recorded by the Company in the amount of ¥131,253 million.

4. Differences between total amounts of reportable segments and amounts listed on the consolidated financial statements and main details of these differences (matters concerning variance adjustments)

(1) Total ordinary income for reportable segments and ordinary income recorded on the consolidated statements of income

(Millions of yen)

Ordinary income	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Reportable segment totals	17,036,778	16,406,630
Ordinary income in "Others"	272,734	287,799
Elimination of internal transactions	(1,460,327)	(1,454,303)
Ordinary income on the consolidated statements of income	15,849,185	15,240,126

Note: Ordinary income is listed in place of net sales common in general type companies. Regarding variance adjustments, the difference between ordinary income and ordinary income recorded on the consolidated statements of income is listed.

(2) Total income for reportable segments and net ordinary income recorded on the consolidated statements of income

(Millions of yen)

Profit	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Reportable segment totals	1,205,271	1,085,610
Ordinary income in "Others"	125,301	148,144
Elimination of internal transactions	(105,478)	(130,151)
Net ordinary income on the consolidated statements of income	1,225,094	1,103,603

(3) Total consolidated assets for reportable segments and assets recorded on the consolidated balance sheets

(Millions of yen)

Assets	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Reportable segment totals	295,230,689	294,516,769
Ordinary income in "Others"	9,712,785	9,753,351
Elimination of internal transactions	(12,050,499)	(12,023,681)
Total assets on the consolidated balance sheets	292,892,975	292,246,440

## (4) Total amount of other items for reportable segments and amount of corresponding items listed on the consolidated financial statements

(Millions of yen)

Other Items	Reportable segment totals		Others		Adjustments		Amount recorded on the consolidated financial statements	
	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Depreciation	150,416	165,555	12,185	10,211	(161)	(84)	162,440	175,682
Amortization of goodwill	—	—	4	4	—	—	4	4
Interest received, interest and dividends income	3,377,230	3,287,286	138	148	(532)	(501)	3,376,837	3,286,933
Interest expenses	353,610	366,748	11	6	(532)	(501)	353,089	366,253
Equity in gains of affiliates	22	12	—	—	—	—	22	12
Extraordinary gains	1,298	1,351	670	459	0	—	1,969	1,811
Extraordinary losses	75,906	112,124	4,018	11,210	(12)	(534)	79,911	122,801
Losses on sales and disposal of fixed assets	4,557	12,338	284	1,374	(9)	(5)	4,832	13,706
Impairment losses	2,988	3,815	2,599	9,836	(3)	3	5,584	13,655
Provision for reserve for price fluctuations	64,656	91,360	—	—	—	—	64,656	91,360
Tax expenses	299,851	279,000	(22,957)	(17,757)	—	—	276,894	261,242
Investment to companies accounted for by the equity method	923	1,002	—	—	—	—	923	1,002
Increase in tangible and intangible fixed assets	135,815	140,315	15,827	27,114	(177)	(198)	151,464	167,231

(Related information)

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

## 1. Information by type of service

This information is omitted because it is similar to information pertaining to reportable segments.

## 2. Information by geographic region

## (1) Ordinary income

This information is omitted because the amount of ordinary income from external customers in Japan accounted for more than 90% of the total ordinary income on the consolidated statements of income.

## (2) Tangible fixed assets

This information is omitted because tangible fixed assets located in Japan accounted for more than 90% of those on the consolidated balance sheets.

## 3. Information by major customers

This information is omitted because there was no single external customer that accounted for 10% or more of the total ordinary income in the consolidated statements of income.

(From April 1, 2013 to March 31, 2014)

## 1. Information by type of service

This information is omitted because it is similar to information pertaining to reportable segments.

## 2. Information by geographic region

## (1) Ordinary income

This information is omitted because the amount of ordinary income from external customers in Japan accounted for more than 90% of the total ordinary income on the consolidated statements of income.

## (2) Tangible fixed assets

This information is omitted because tangible fixed assets located in Japan accounted for more than 90% of those on the consolidated balance sheets.

## 3. Information by major customers

This information is omitted because there was no single external customer that accounted for 10% or more of the total ordinary income in the consolidated statements of income.

(Information concerning losses on impairment of fixed assets by reportable segment)

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

This information is described in Segment Information 3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment.

(From April 1, 2013 to March 31, 2014)

None

(Information about amortization of goodwill and unamortized balance by reportable segment)

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

Information about amortization of goodwill is described in Segment Information 3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment. The balance of unamortized goodwill was not significant and is therefore not listed.

(From April 1, 2013 to March 31, 2014)

Information about amortization of goodwill is described in Segment Information 3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment. The balance of unamortized goodwill was not significant and is therefore not listed.

(Information about recognized gain on negative goodwill by reportable segments)

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

None

(From April 1, 2013 to March 31, 2014)

None

## Capital Adequacy

### Matters for Disclosure Concerning Composition of Capital

Capital structure

Consolidated capital adequacy ratio (domestic standard)

As of March 31, 2013 (Basel II standard)

(Millions of yen)

Item		2013 (As of March 31, 2013)
Core capital (Tier I)	Capital stock	3,500,000
	Of which non-accumulating permanent preferred stock	—
	Deposit for subscription to shares	—
	Capital surplus	4,503,856
	Retained earnings	2,216,622
	Treasury stock (deduction)	—
	Deposit for subscription to treasury stock	—
	Amount scheduled for disbursement (deduction)	38,550
	Net unrealized losses on available-for-sale securities (deduction)	—
	Foreign currency translation adjustments	—
	Stock acquisition rights	—
	Minority interests in consolidated subsidiaries	1,421
	Preferred securities issued by foreign Special Purpose Companies (SPCs)	—
	Trade rights equivalents (deduction)	—
	Goodwill equivalents (deduction)	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)	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	2,748
	Capital raised through debt financing	—
	Total (B)	2,748
Sub-supplementary capital (Tier III)	Short-term subordinated debt	—
	Total (C)	—
Deduction item	Deduction items (D) (Note 4)	1,000,109
Qualifying capital	Qualifying capital (A)+(B)+(C)-(D)=(E)	9,185,982
Risk-adjusted assets	Assets (on-balance-sheet items)	11,966,917
	Off-balance-sheet transactions, etc.	436,338
	Amount of market risk equivalent, divided by 8%	—
	Amount of operational risk equivalent, divided by 8%	3,605,681
	Total (F)	16,008,937
Consolidated capital adequacy ratio (domestic standard) (E)/(F)		57.38%
Consolidated Tier I capital ratio (A)/(F)		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, hereinafter referred to as FSA's Consolidated Capital Adequacy Ratio Disclosure Notice).

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.



As of March 31, 2014 (Basel III standard)

(Millions of yen)

Item	2014 (As of March 31, 2014)	Amounts excluded under transitional arrangements
Core Capital: Instruments and reserves		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	10,577,196	
of which: capital and capital surplus	8,003,856	
of which: retained earnings	2,616,840	
of which: treasury share (deduction)	—	
of which: earning to be distributed (deduction)	43,500	
of which: other than those above	—	
Accumulated other comprehensive income (amount allowed to be included in Core Capital)	66	
of which: foreign currency translation adjustments	66	
of which: remeasurements of defined benefit plans	—	
Subscription rights to common shares and preferred shares with a compulsory conversion clause	—	
Adjusted minority interests (amount allowed to be included in Core Capital)	—	
Allowance included in Core Capital: Instruments and reserves	428	
of which: general allowance for loan losses	428	
of which: eligible provisions to expected losses	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core Capital)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core Capital)	—	
Capital instruments issued through the measures for capital enhancement by public institutions (amount allowed to be included in Core Capital)	—	
45% of land revaluation differences (amount allowed to be included in Core Capital)	—	
Minority interests included in Core Capital subject to transitional arrangements	1,573	
Core Capital: instruments and reserves (A)	10,579,264	
Core Capital: regulatory adjustments		
Total intangible fixed assets (excluding those relating to mortgage servicing rights)	2	94,218
of which: goodwill (including those equivalent)	2	—
of which: other intangible fixed assets other than mortgage servicing rights	—	94,218
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	—	—
Shortfall of eligible provisions to expected losses	—	—
Securitization gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Defined-benefit pension fund net assets	—	—
Investments in own shares (excluding those reported in the Net Assets section)	—	—
Reciprocal cross-holdings in common equity	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (hereinafter referred to as "Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specified items	—	—
of which: significant investments in the common share of Other Financial Institutions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences	—	—
Amount exceeding the 15% threshold on specified items	—	—
of which: significant investments in the common share of Other Financial Institutions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences	—	—
Core Capital: regulatory adjustments (B)	2	
Total capital		
Total capital ((A) - (B)) (C)	10,579,261	

(Millions of yen)

Item	2014 (As of March 31, 2014)	Amounts excluded under transitional arrangements
Risk weighted assets		
Total amount of credit risk weighted assets	17,886,576	
of which: total amount included in risk weighted assets subject to transitional arrangements	(562,511)	
of which: intangible fixed assets other than goodwill and mortgage servicing rights	94,218	
of which: deferred tax assets	—	
of which: Defined-benefit pension fund net assets	—	
of which: significant investments in the capital instruments (excluding common shares) of Other Financial Institutions	(656,730)	
of which: other than those above	—	
Amount market risk equivalent divided by 8%	—	
Amount operational risk equivalent divided by 8%	3,600,180	
Credit risk weighted assets adjustments	—	
Amount operational risk equivalent adjustments	—	
Total amount of risk weighted assets (D)	21,486,756	
Capital adequacy ratio (consolidated)		
Capital adequacy ratio (consolidated) ((C)/(D))	49.23%	

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, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).

The data is calculated on a consolidated basis and according to the domestic standard. Domestic standards based on Basel III have been adopted from the fiscal year ended March 2014.

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

## Qualitative Disclosure

### 1. Scope of consolidation

- (1) Differences and the causes of the relevant 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) Holding Company Capital Adequacy Ratio 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 adequacy 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 (hereinafter referred to as Holding Company Capital Adequacy Ratio 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. In accordance with Article 15, the Group is comprised of the following 15 companies (hereafter the "Group") for the purpose of the calculation of the consolidated capital ratio: Japan Post 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., Japan Post Insurance System Solutions Co., Ltd., and Japan Post International Logistics Co., Ltd. In accordance with the provisions of Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the scope of consolidation.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 16 companies, comprising 15 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 64 through 75.

- (2) Number of consolidated subsidiaries and names and details of main business activities of principal consolidated subsidiaries within the Group  
As mentioned previously, the Group is composed of the Company and 15 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details of business activities of the principal consolidated subsidiaries, refer to pages 30 - 62 of this report.

- (3) Number of affiliated corporations engaged in financial businesses subject to application of Article 21 of the Holding Company Capital Adequacy Ratio Notice, names of affiliated companies engaged in the relevant financial businesses, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.

None

- (4) Names of companies belonging to the Group that are not included in the scope of consolidation and companies not belonging to the Group that are included in the scope of consolidation, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.

- 1) Companies belonging to the Group that are not included in the scope of consolidation

None

- 2) Companies not belonging to the Group that are included in the scope of consolidation

Japan Post Insurance Co., Ltd.

Refer to page 127 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to pages 66 - 67 of this report for details about the company's main business activities.

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

None

### 2. Overview of capital instruments (This entire amount or partial amount are referred to as capital instruments and included in basic items of core capital

as calculated under Article 14 of Holding Company Capital Adequacy Ratio Notice.)

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. Overview of method for evaluating the level of capital adequacy for the Group

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2014 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 49.23%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard as the Group maintains adequate management soundness and safety. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. 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 Holding Company Capital Adequacy Ratio 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 "6. Japan Post Group Risk and Crisis Management" on pages 94 through 95 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 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 weight, Japan Post Bank uses the credit ratings of four rating agencies and the Organisation for Economic Co-operation 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 Limited.

2) Qualified rating agencies, etc. used in making judgments on risk weight 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 FSA's Notice No. 19, March 27, 2006 (hereinafter referred to as "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
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations under Japanese local governments		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	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 2014, 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 considers the results of derivatives transactions, including interest swaps and currency swaps, for which it has concluded effective netting contracts in accordance with the legal systems of each country in which it carries out transactions

■ 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, 2014 was ¥1,054,561 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 Article 227, Paragraph 4-3 to -6 of Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of Holding Company Capital Adequacy Ratio Notice.

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 credit risk mitigation method

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

- (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 weight 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" 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 Group as prescribed in Holding Company 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).

Among liquid deposits, for deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), Japan Post Bank uses a model for estimating outstanding balances and allocation to settlement dates. For time deposits, the Bank performs measurements by using estimated future cash flows based on a model.

## Quantitative Disclosure

1. Among subsidiaries that are Other Financial Institutions (referred to as Other Financial Institutions as prescribed under Article 18, Paragraph 6-1 of Holding Company Capital Adequacy Ratio Notice), names of the companies with shortage in the regulatory required capital and the total amounts of the regulatory required capital shortfall.

Not applicable as of March 31, 2013 and 2014.

### 2. Capital adequacy

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

(Millions of yen)			
Item		2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
1	Cash	—	—
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	14,349	12,803
4	Bank for International Settlements, etc.	—	—
5	Non-central government public sector entities	—	—
6	Foreign non-central government public sector entities	6,202	5,368
7	Multilateral Development Banks	7	5
8	Japan Finance Organization for Municipalities	2,291	2,697
9	Japanese government agencies	16,283	14,277
10	Three regional public corporations under Japanese local governments	0	16
11	Financial Institutions and Type I Financial Instruments Business Operators	76,003	87,233
12	Corporates	185,405	262,969
13	Small and medium-sized enterprises and individuals	4	5
14	Residential housing mortgages	—	—
15	Project finance (acquisition of real estate)	4,026	7,830
16	Past-due loans (three months or more)	3,754	13,821
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	55,692	42,919
	of which, exposure to investments		42,919
	of which, exposure to significant investments		—
21	Other than above	112,075	262,549
	of which, exposure to capital instruments other than those corresponding to subject common shares among capital instruments of Other Financial Institutions		43,782
	of which, exposure related to portions not included in adjustment items among specified items		113,872
	of which, other exposure		104,894
22	Securitization transactions (as originator)	—	—
	Re-securitization transactions	—	—
23	Securitization transactions (as investor and other)	2,579	3,040
	Re-securitization transactions	80	69
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	—	—
25	Amount of items included in risk weighted assets through transitional arrangements		3,768
26	Amount of items not included in risk weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions		(26,269)
Total		478,676	693,040

Note: Required capital is 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		2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	—	—
2	Commitment lines with original contracts of one year or less	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	6,235	6,108
	(of which secured with loan guarantees)	3,660	2,729
	(of which secured with securities)	—	—
	(of which secured with drafts)	—	—
	(of which principal reimbursement trust deeds without restructuring)	—	—
	(of which secured with credit derivative protection)	1,515	1,919
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	—	18
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	8,616	11,010
11	Derivative transactions and long-term settlements transactions	2,537	2,091
	Current exposure method	2,537	2,091
	Derivative transactions	2,537	2,091
	Foreign exchange related transactions	2,002	2,545
	Interest rate related transactions	487	577
	Gold related transactions	—	—
	Equity security related transactions	—	0
	Precious metal related transactions (excluding gold)	—	—
	Other commodity related transactions	—	—
	Credit derivative transactions (counterparty risk)	48	43
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)	—	1,075
	Long-term settlements transactions	—	—
12	Outstanding transaction	1	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		17,453	19,285

Note1: Required capital is calculated using the following formula:

Credit risk-weighted assets × 4%

Note2: From fiscal 2014, the Group considers netting effect on credit equivalent amounts under close-out netting agreements.



(3) Total amount of consolidated required capital

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Total amount of consolidated required capital	640,357	859,470
Amount of required capital for credit risk	496,130	715,463
Assets (on-balance-sheet items)	478,676	693,040
Off-balance-sheet transactions, etc.	17,453	19,285
CVA risk equivalent amount		3,137
Central Counterparty risk exposure		—
Amount of required capital for market risk equivalent amount		—
Amount of required capital for operational risk equivalent amount	144,227	144,007
Basic indicator approach	144,227	144,007

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.

Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.

Note 3: The amount of required capital for market risk equivalent amount is not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the Notice.

Note 4: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

3. Credit risk

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

(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

(Millions of yen)

Counterparts		2014 (As of March 31, 2014)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	25,454,484	135,920,684	—	35,953	161,411,122
	Financial institutions	49,039,604	9,565,952	88,491	1,057,046	59,751,095
	Corporates	392,782	6,208,436	—	385,113	6,986,332
	Small and medium-sized enterprises and individuals	—	—	—	291	291
	Project finance (acquisition of real estate)	—	—	—	195,761	195,761
	Others	5,785,603	2,945,388	41	10,346,453	19,077,486
	Domestic total	80,672,474	154,640,462	88,533	12,020,619	247,422,089
Overseas total		854	—	—	4	858
Total		80,673,328	154,640,462	88,533	12,020,623	247,422,947

Note 1: All subsidiaries other than Japan Post Bank 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: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 10: The exposure amount in fiscal 2014 does not include in intangible fixed assets that are subject to calculation of credit risk asset due to transitional arrangements.



## (2) Credit risk exposure by maturity

(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

(Millions of yen)

Remaining period	2014 (As of March 31, 2014)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	51,673,970	34,235,698	2,857	403,568	86,316,095
Over 1 year to 3 years	714,812	42,386,041	41,983	2,733	43,145,571
Over 3 years to 5 years	1,086,922	24,752,991	32,084	146	25,872,146
Over 5 years to 7 years	480,288	19,516,950	9,940	2	20,007,181
Over 7 years to 10 years	873,168	30,842,861	1,666	—	31,717,696
Over 10 years	1,439,183	2,905,918	—	—	4,345,101
No due date or perpetual	24,404,982	—	—	11,614,172	36,019,154
Total	80,673,328	154,640,462	88,533	12,020,623	247,422,947

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: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 5: The exposure amount in fiscal 2014 does not include in intangible fixed assets that are subject to calculation of credit risk assets due to transitional arrangements.

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

(Millions of yen)

Counterparts		2013 (As of March 31, 2013)					2014 (As of March 31, 2014)				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	—	—	—	—	—	—	—	—	—	—
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	7	7	—	—	—	8	8
	Small and medium-sized enterprises and individuals	—	—	—	117	117	—	—	—	122	122
	Project finance (acquisition of real estate)	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	4,319	4,319	—	—	—	2,995	2,995
	Domestic total	—	—	—	4,443	4,443	—	—	—	3,126	3,126
Overseas total		—	—	—	—	—	—	—	—	—	—
Total		—	—	—	4,443	4,443	—	—	—	3,126	3,126

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 exposure amount 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 allowance for loan losses, specific allowance for doubtful accounts, and loan loss allowance for specific overseas countries.

Year-end balance (Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
General allowance for loan losses	208	141
Specific allowance for doubtful accounts	—	—
Loan loss allowance for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
General allowance for loan losses	(6)	(66)
Specific allowance for doubtful accounts	—	—
Loan loss allowance for specific overseas countries	—	—

Note 1: Allowance for loan losses related to loans disclosed under the Financial Revitalization Law is listed.

Note 2: General allowance for 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	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Rated	Not rated	Rated	Not rated
0%	168,358,348	48,812,330	167,691,724	46,024,412
2%	—	—	—	—
4%	—	—	—	—
10%	—	4,892,870	941	4,470,010
20%	12,406,878	42	14,007,454	2,039
35%	—	—	—	—
50%	4,202,213	4,170	5,315,945	2,911
75%	—	162	—	168
100%	2,741,192	4,421,933	3,834,710	4,266,685
150%	67,962	273	229,174	214
250%	—	—	332,704	1,243,842
1,250%	—	—	—	—
Others	3	—	4	—
Total	187,776,597	58,131,782	191,412,660	56,010,286

Note 1: Ratings are used for those rated by qualified rating agencies in principle.

Note 2: The exposure amount 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 Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.

Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk weighted categories in case of that transitional arrangements are not applied.

#### 4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Qualified financial collateral	47,346,924	87.59%	45,096,205	88.53%
Guarantees	6,703,773	12.40%	5,841,094	11.46%
Total	54,050,698	100.00%	50,937,299	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and securities as qualified financial collateral.

Note 2: Principal guarantors are central governments, etc. to which lower risk weight than the guaranteed obligations are applied.

Note 3: The exposure amount included in funds such as investment trusts are not included herein.

## 5. Derivative transactions and long-term settlements transactions

## Derivative transactions and long-term settlements transactions

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Aggregate sum of amounts of gross reconstruction costs	7,714	5,407
Aggregate sum of gross add-on amounts	208,233	217,525
Gross credit equivalents	215,947	222,933
Foreign exchange related transactions	172,378	182,052
Interest rate related transactions	43,568	40,880
Long-term settlements transactions	—	—
Reduction in credit equivalents through netting (deduction)		134,399
Net credit equivalents		88,533
Collateral amount		1,312
Marketable securities		1,312
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)		88,533

Note 1: Credit equivalents are calculated by the "current exposure method."

Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.

Note 3: Derivative transactions and transactions with long-term settlements included in funds such as investment trusts are not included herein.

Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.

Note 5: From the end of fiscal 2014, consideration is being given to the effectiveness of the amount of netting effect on credit equivalents under close-out netting agreements.

Note 6: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.

Note 7: Neither credit derivatives subject to credit equivalent amount calculations nor credit derivatives used to consider the effect of credit risk mitigation methods are available.

Note 8: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

## 6. Securitization exposure

Securitization exposure in which the Group invests:

(1) Securitization exposure and breakdown by type of main underlying assets (excluding re-securitization exposure)

(Millions of yen)

Type of underlying assets	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Mortgage loans	258,922	311,121
Auto loans	2,645	11,803
Leases	771	63
Accounts receivable	1,080	137
Corporate loans	94,889	94,783
Others	2,944	1,692
Total	361,254	419,601

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

Note 2: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

(3) Balance by risk weight of securitization exposure and amount of required capital (excluding re-securitization exposure)

(Millions of yen)

Risk weight	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Balance	Required capital	Balance	Required capital
Less than 20%	97,834	391	96,476	385
20%	263,419	2,107	323,124	2,584
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1,250%	—	—	—	—
Total	361,254	2,498	419,601	2,970

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

Note 2: Required capital is the amount of credit risk assets × 4%.

Note 3: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

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

(Millions of yen)

Type of underlying assets	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Mortgage loans	5,059	4,346
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	5,059	4,346

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

Note 2: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

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

(Millions of yen)

Risk weight	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Balance	Required capital	Balance	Required capital
Less than 40%	—	—	—	—
40%	5,059	80	4,346	69
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1,250%	—	—	—	—
Total	5,059	80	4,346	69

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

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

Note 3: Required capital is the amount of credit risk assets × 4%.

Note 4: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

## 7. Market risk

Not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include the amount of market risk equivalent in the calculation formulae prescribed under Article 14 of the Notice.

## 8. Equity exposure in the banking account

### (1) Amount carried on the consolidated balance sheet and fair value (Millions of yen)

	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	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	231,551		935	
Total	231,551		935	

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.

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

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	928	—

Note: Shares with market quotations are listed.

## 9. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used.

## 10. Interest rate risk in the banking account

Gains and losses related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Losses in economic value	793.2	1,069.1

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

Note 2: From fiscal 2014, of liquid deposits, for those deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), the Group uses an internal model for estimating outstanding balances and allocation to settlement dates and calculates interest risk volume.

### (2) Gains and Losses on sale or write-off of investment or equity exposures (Millions of yen)

	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Gains/Losses	—	—
Gains	—	—
Losses	—	—
Write-off	—	—

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

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

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
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.

## 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, Paragraph 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 ¥19 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 2013 to March 2014)
Japan Post Holdings	Compensation Committee	3 times
Japan Post	Shareholders' meeting	1 time
	Board of Directors (Note 1)	4 times
	Board of Corporate Auditors (Note 1)	2 times
Japan Post Bank	Compensation Committee	2 times
Japan Post Insurance	Compensation Committee	5 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 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, compensation for executives consists of base compensation.

Note: The retirement benefits system was discontinued in June 2013.

(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, compensation consists of base compensation.

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.

Note: The retirement benefits system for directors, auditors, executive officers and executives was discontinued in June 2013.

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, 2013 to March 31, 2014)

Classification	Number of persons	Total amount of compensation (Millions of yen)			
			Base compensation	Retirement benefits	Other
Subject executives (excluding outside executives)	38	727	709	17	0
Subject employees	41	938	914	23	0

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.

Note 2: Variable compensation (including bonuses) is not applicable.

Note 3: Stock-compensation type stock options are not applicable.

Note 4: Retirement benefit amounts list the amounts for the provision of reserve for directors' retirement benefits for the subject executives and subject employees during the applicable period.

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

None

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

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Total amount of consolidated solvency margin (A)	17,348,099	18,897,175
Capital stock or funds, others	10,493,901	10,929,630
Reserve for price fluctuations	522,872	614,233
Contingency reserve	2,683,606	2,588,798
Catastrophe loss reserve	—	—
General reserves for possible loan losses	2,831	520
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	3,317,715	4,124,263
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	18,995	15,746
Unrecognized actuarial differences and unrecognized prior service cost		265,448
Capital raised through debt financing, Excess (portion of) premium reserve	308,176	358,533
Excess (portion of) premium reserve	308,176	358,533
Capital raised through debt financing	—	—
Excluded amounts	—	—
Solvency margin concerning small-amount, short-term insurers	—	—
Deductions	—	—
Others	—	—
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)	1,922,408	2,109,228
Underwriting risk R <sub>1</sub>	172,955	168,426
General insurance risk R <sub>5</sub>	—	—
Catastrophe risk R <sub>6</sub>	—	—
Underwriting risk of third-sector insurance R <sub>8</sub>	113,161	99,913
Underwriting risk of small-amount, short-term insurers R <sub>9</sub>	—	—
Anticipated yield risk R <sub>2</sub>	218,570	198,138
Minimum guarantee risk R <sub>7</sub>	—	—
Investment risk R <sub>3</sub>	1,372,165	1,586,573
Business management risk R <sub>4</sub>	306,146	304,457
Consolidated solvency margin ratio (A)/((1/2) × (B))	1,804.8%	1,791.8%

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, 2014 and 2013 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	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)	Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	179,049	195,114	Accounts payable	18,933	19,026
Accounts receivable	164,507	176,642	Income taxes payable	159,151	152,891
Securities	4,800	—	Consumption taxes payable	82	—
Inventories	618	615	Accrued expenses	3,231	3,169
Short-term loan	300	31,620	Reserve for employees' bonuses	1,754	1,746
Prepaid expenses	64	69	Reserve for point service program	452	472
Others	535	857	Others	1,247	1,093
Allowance for doubtful accounts	(9)	(10)	Total current liabilities	184,854	178,399
Total current assets	349,865	404,908	Long-term liabilities		
Non-current assets			Reserve for employees' retirement benefits	897,775	817,712
Tangible fixed assets			Reserve for directors' retirement benefits	149	—
Buildings: net	38,033	37,460	Reserve for compensation for accidents in the course of duty	23,466	22,550
Structures: net	690	704	Others	2,080	2,081
Machinery: net	627	694	Total long-term liabilities	923,471	842,344
Vehicles: net	117	108	<b>Total Liabilities</b>	<b>1,108,326</b>	<b>1,020,744</b>
Tools and fixtures: net	16,635	5,083	<b>Net Assets</b>		
Land	92,381	92,249	Shareholders' equity		
Construction in progress	955	600	Capital stock	3,500,000	3,500,000
Total tangible fixed assets	149,441	136,902	Capital surplus		
Intangible fixed assets			Capital reserve	4,503,856	4,503,856
Software	5,641	1,590	Total capital surplus	4,503,856	4,503,856
Others	338	332	Retained earnings		
Total intangible fixed assets	5,980	1,922	Other retained earnings		
Investments and other assets			Retained earnings brought forward	598,987	715,528
Stock of related parties	9,195,299	9,195,299	Total retained earnings	598,987	715,528
Long-term loan	10,420	—	Total shareholders' equity	8,602,843	8,719,384
Long-term prepaid expenses	57	84	<b>Total Net Assets</b>	<b>8,602,843</b>	<b>8,719,384</b>
Claims in bankruptcy	116	120			
Others	106	1,011	<b>Total Liabilities and Net Assets</b>	<b>9,711,170</b>	<b>9,740,129</b>
Allowance for doubtful accounts	(116)	(120)			
Total investments and other assets	9,205,883	9,196,395			
Total non-current assets	9,361,305	9,335,220			
<b>Total Assets</b>	<b>9,711,170</b>	<b>9,740,129</b>			

## Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Operating income</b>		
Commissions from subsidiaries and affiliates	10,317	10,348
Dividend income from affiliated companies	105,353	131,253
Income from consigned businesses	65,092	52,541
Subsidies related to former savings accounts	27,009	22,069
Income from medical services	25,252	24,902
Income from accommodation services	32,278	31,874
<b>Total operating income</b>	<b>265,304</b>	<b>272,988</b>
<b>Operating expenses</b>		
Expenses for consigned businesses	57,258	50,426
Expenses for medical services	30,098	30,683
Expenses for accommodation services	33,693	33,725
Administrative expenses	23,047	12,150
<b>Total operating expenses</b>	<b>144,096</b>	<b>126,985</b>
<b>Net operating income</b>	<b>121,207</b>	<b>146,002</b>
<b>Other income</b>		
Rent income	2,733	2,599
Others	665	731
<b>Total other income</b>	<b>3,398</b>	<b>3,331</b>
<b>Other expenses</b>		
Interest expenses	11	6
Rent expenses	1,044	1,162
Others	411	327
<b>Total other expenses</b>	<b>1,466</b>	<b>1,496</b>
<b>Income (expenses) from contribution to society and community funds assets</b>		
Income from contribution to society and community funds assets	2,527	—
Expenses for contribution to society and community funds assets	0	—
<b>Total income from contribution to society and community fund assets</b>	<b>2,527</b>	<b>—</b>
<b>Net ordinary income</b>	<b>125,666</b>	<b>147,837</b>
<b>Extraordinary gains</b>		
Compensation income	622	443
Others	48	15
<b>Total extraordinary gains</b>	<b>670</b>	<b>459</b>
<b>Extraordinary losses</b>		
Losses on disposal of fixed assets	267	1,372
Impairment losses	2,599	9,836
Group reorganization expenses	1,028	—
Others	106	—
<b>Total extraordinary losses</b>	<b>4,002</b>	<b>11,209</b>
<b>Net income before income taxes</b>	<b>122,335</b>	<b>137,088</b>
Income taxes current	(9)	(18,001)
Income taxes deferred	(22,883)	—
<b>Total income taxes</b>	<b>(22,893)</b>	<b>(18,001)</b>
<b>Net income</b>	<b>145,228</b>	<b>155,090</b>

## Statements of Changes in Net Assets

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

(Millions of yen)

Item	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Capital reserve	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	4,503,856	431,406	431,406	8,435,262
Changes during the period						
Cash dividends				(37,851)	(37,851)	(37,851)
Net income for the period				145,228	145,228	145,228
Contribution to society and community funds				60,204	60,204	60,204
Net changes other than shareholders' equity						
Total changes during the period	—	—	—	167,581	167,581	167,581
Balance at the end of the current fiscal year	3,500,000	4,503,856	4,503,856	598,987	598,987	8,602,843

Item	Contribution to society and community funds	Valuation and translation adjustments of contribution to society and community funds	Total net assets
Balance at the beginning of the current fiscal year	60,204	1,080	8,496,547
Changes during the period			
Cash dividends			(37,851)
Net income for the period			145,228
Contribution to society and community funds			60,204
Net changes other than shareholders' equity	(60,204)	(1,080)	(61,284)
Total changes during the period	(60,204)	(1,080)	106,296
Balance at the end of the current fiscal year	—	—	8,602,843

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Shareholders' equity						Total net asset
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity	
		Capital reserve	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	4,503,856	598,987	598,987	8,602,843	8,602,843
Changes during the period							
Cash dividends				(38,550)	(38,550)	(38,550)	(38,550)
Net income for the period				155,090	155,090	155,090	155,090
Contribution to society and community funds							
Net changes other than shareholders' equity							
Total changes during the period	—	—	—	116,540	116,540	116,540	116,540
Balance at the end of the current fiscal year	3,500,000	4,503,856	4,503,856	715,528	715,528	8,719,384	8,719,384

## 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.

Net unrealized gains or losses on available-for-sale securities are included in net assets.

#### 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

##### (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 are 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 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.

##### (4) 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.

Prior service cost is amortized as cost using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel.

(Additional information)

Due to the enactment of the "Act for Partial Revision of the Employees' Pension Insurance Act, etc. for Unifying Employees' Pension Insurance Systems"(Act No.63 of 2012), benefits related to the public service pension period will be reduced in the future, with the enforcement date of August 1, 2013. Along with this, the Company received necessary information and calculated the amount of the impact of this revision. As a result, ¥117,175 million of prior service costs have accrued due to the reduced amount of retirement benefit liabilities. These prior service costs will be amortized as expenses using the straight-line method over certain years (10 years) within the estimated average remaining payment periods.

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.

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

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

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

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

##### (1) Accounting for consumption taxes

All figures are net of consumption taxes.

##### (2) Adoption of the consolidated tax payment system

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

##### (3) Accounting for retirement benefits

The accounting methods for unamortized amounts of unrecognized actuarial differences and unrecognized prior service costs for retirement benefits differ from the accounting methods used for these on the consolidated financial statements.

### Changes in Presentation

(Concerning the Balance Sheets)

Because of a decrease in its monetary importance, Reserve for loss on natural disaster, which was listed separately under Current liabilities in the previous fiscal year, is presented within Others in the amount of ¥246 million in the current fiscal year.

## 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. Reduction entry amount for tangible fixed assets: ¥17,070 million
3. Monetary claims against and monetary obligations to affiliated companies
 

Short-term monetary claims:	¥395,506 million
Long-term monetary claims:	¥878 million
Short-term monetary obligations:	¥9,045 million

## Notes to Statements of Income

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

Operating transactions	
Operating income:	¥216,078 million
Operating expenses:	¥16,054 million
Amount of transactions other than operational:	¥2,813 million

## Subsequent Events

(Reduction in capital reserves)

At a meeting of the Board of Directors on May 21, 2014, the Board passed a resolution to submit a bill for reducing capital reserves at the shareholders' meeting convened on June 25, 2014, and this bill was approved at the meeting.

(1) Purpose

Capital reserves will be reduced in preparation for carrying out flexible capital policies in the future as well as assuring resiliency in terms of financial strategy.

(2) Main points of capital reserves reduction

In accordance with Article 448, Paragraph 1 of the Companies Act, capital reserves shall be transferred to other capital surplus.

1) Amount of capital reserves reduction

The amount of the capital reserves reduction shall be ¥3,628,856,095,788 from total capital reserves of ¥4,503,856,095,788.

2) Categories of surplus capital that will increase and amounts

Other capital surplus ¥3,628,856,095,788

(3) Effective date of capital reserves reduction

December 1, 2014 (planned)

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

The balance sheets as of March 31, 2014 and 2013 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, 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 163.

### Balance Sheets

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)	Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	1,991,839	1,970,574	Accounts payable—trade	40,511	51,844
Accounts receivable—trade	213,771	226,261	Accounts payable—other	251,233	368,446
Securities	131,000	150,000	Insurance business consignment payable	10,312	—
Inventories	10,606	11,785	Accrued expenses	30,086	31,013
Prepaid expenses	2,159	1,942	Income taxes payable	3,951	5,409
Accounts receivable	3,866	6,512	Consumption taxes payable	24,722	21,660
Banking business consignment receivable	32,468	45,558	Advance postal fees received	40,270	40,656
Insurance business consignment receivable	—	1,784	Deposits received	312,666	312,838
Others	25,437	28,950	Fund deposits for post offices	1,280,000	1,160,000
Allowance for doubtful accounts	(1,435)	(199)	Reserve for employees' bonuses	84,424	82,003
Total current assets	2,409,713	2,443,169	Reserve for loss on rebuilding of branches	431	309
Non-current assets			Others	3,798	6,808
Tangible fixed assets			Total current liabilities	2,082,410	2,080,989
Buildings: net	921,559	881,871	Long-term liabilities		
Structures: net	25,060	24,638	Reserve for employees' retirement benefits	2,157,310	2,127,992
Machinery: net	19,827	19,046	Reserve for directors' retirement benefits	265	—
Automobiles and other vehicles: net	8,756	7,895	Reserve for loss on rebuilding of branches	198	198
Tools and fixtures: net	31,527	28,817	Deferred tax liabilities	100	661
Land	1,244,380	1,236,664	Others	23,148	30,949
Construction in progress	14,507	24,933	Total long-term liabilities	2,181,022	2,159,802
Total tangible fixed assets	2,265,618	2,223,867	<b>Total Liabilities</b>	<b>4,263,433</b>	<b>4,240,791</b>
Intangible fixed assets			<b>Net Assets</b>		
Leaseholds	1,659	1,666	Shareholders' equity		
Air rights	14,077	14,077	Capital stock	100,000	100,000
Software	31,095	35,368	Capital surplus		
Others	19,926	9,220	Capital reserve	100,000	100,000
Total intangible fixed assets	66,758	60,333	Other capital surplus	200,000	200,000
Investments and other assets			Total capital surplus	300,000	300,000
Investment securities	14,695	14,757	Retained earnings		
Stock of related parties	38,957	38,957	Other retained earnings		
Investments in capital of subsidiaries and associates	—	801	Reserve for special depreciation	41	1,112
Claims in bankruptcy	2,906	2,789	Reserve for deferred gains on fixed assets	138	82
Long-term prepaid expenses	7,622	10,036	Retained earnings brought forward	142,896	159,778
Others	3,142	9,842	Total retained earnings	143,076	160,972
Allowance for doubtful accounts	(2,906)	(2,789)	Total shareholders' equity	543,076	560,972
Total investments and other assets	64,417	74,393	<b>Total Net Assets</b>	<b>543,076</b>	<b>560,972</b>
Total non-current assets	2,396,795	2,358,595	<b>Total Liabilities and Net Assets</b>	<b>4,806,509</b>	<b>4,801,764</b>
<b>Total Assets</b>	<b>4,806,509</b>	<b>4,801,764</b>			

## Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Operating income</b>		
Postal service business income	960,317	1,766,667
Commissions for postal service business consignment	81,574	—
Commissions for banking business consignment	609,578	607,266
Commissions for insurance business consignment	378,507	367,106
Other operating income	24,145	32,918
<b>Total operating income</b>	<b>2,054,124</b>	<b>2,773,958</b>
Operating expenses	1,810,056	2,537,831
<b>Gross operating income</b>	<b>244,068</b>	<b>236,127</b>
Sales, general and administrative costs	152,848	189,127
<b>Net operating income</b>	<b>91,219</b>	<b>46,999</b>
<b>Other income</b>		
Rent income	17,384	11,673
Others	4,753	6,775
<b>Total other income</b>	<b>22,138</b>	<b>18,449</b>
<b>Other expenses</b>		
Rent expenses	10,858	6,889
Environmental expenses	487	3,944
Others	1,713	2,082
<b>Total other expenses</b>	<b>13,058</b>	<b>12,916</b>
<b>Net ordinary income</b>	<b>100,299</b>	<b>52,532</b>
<b>Extraordinary gains</b>		
Gain on sales of fixed assets	166	247
Compensation for transfer	436	495
Compensation income	—	488
Others	0	—
<b>Total extraordinary gains</b>	<b>603</b>	<b>1,231</b>
<b>Extraordinary losses</b>		
Losses on sales of fixed assets	4	3
Losses on disposal of fixed assets	1,151	2,957
Impairment losses	1,018	3,390
Merger expenses	1,668	—
Loss from cancellation of system contracts	—	2,043
Loss from construction work on aging facilities	—	1,011
Others	93	1,513
<b>Total extraordinary losses</b>	<b>3,936</b>	<b>10,921</b>
<b>Net income before income taxes</b>	<b>96,966</b>	<b>42,842</b>
Income taxes current	13,923	9,370
Income taxes deferred	30	561
<b>Total income taxes</b>	<b>13,953</b>	<b>9,931</b>
<b>Net income</b>	<b>83,012</b>	<b>32,911</b>



## Statements of Changes in Net Assets

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

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at the beginning of the current fiscal year	100,000	100,000	—	100,000
Changes during the period				
Increase (decrease) by merger			200,000	200,000
Cash dividends				
Net income				
Reversal of reserve for special depreciation				
Provision of reserve for special depreciation				
Provision of reserve for deferred gains on fixed assets				
Total changes during the period	—	—	200,000	200,000
Balance at the end of the current fiscal year	100,000	100,000	200,000	300,000

Item	Shareholders' equity					Total net assets
	Retained earnings				Total shareholders' equity	
	Other retained earnings			Total retained earnings		
	Reserve for special depreciation	Reserve for deferred gains on fixed assets	Retained earnings brought forward			
Balance at the beginning of the current fiscal year	29	95	100,575	100,700	300,700	300,700
Changes during the period						
Increase (decrease) by merger			(35,929)	(35,929)	164,070	164,070
Cash dividends			(4,706)	(4,706)	(4,706)	(4,706)
Net income			83,012	83,012	83,012	83,012
Reversal of reserve for special depreciation	(4)		4	—	—	—
Provision of reserve for special depreciation	16		(16)	—	—	—
Provision of reserve for deferred gains on fixed assets		42	(42)	—	—	—
Total changes during the period	11	42	42,321	42,376	242,376	242,376
Balance at the end of the current fiscal year	41	138	142,896	143,076	543,076	543,076

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at the beginning of the current fiscal year	100,000	100,000	200,000	300,000
Changes during the period				
Cash dividends				
Net income				
Reversal of reserve for special depreciation				
Provision of reserve for special depreciation				
Reversal of reserve for deferred gains on fixed assets				
Total changes during the period	—	—	—	—
Balance at the end of the current fiscal year	100,000	100,000	200,000	300,000

Item	Shareholders' equity					Total net assets
	Retained earnings				Total shareholders' equity	
	Other retained earnings			Total retained earnings		
	Reserve for special depreciation	Reserve for deferred gains on fixed assets	Retained earnings brought forward			
Balance at the beginning of the current fiscal year	41	138	142,896	143,076	543,076	543,076
Changes during the period						
Cash dividends			(15,015)	(15,015)	(15,015)	(15,015)
Net income			32,911	32,911	32,911	32,911
Reversal of reserve for special depreciation	(6)		6	—	—	—
Provision of reserve for special depreciation	1,078		(1,078)	—	—	—
Reversal of reserve for deferred gains on fixed assets		(56)	56	—	—	—
Total changes during the period	1,071	(56)	16,881	17,896	17,896	17,896
Balance at the end of the current fiscal year	1,112	82	159,778	160,972	560,972	560,972

## Notes to Financial Statements

### Significant Accounting Policies

- 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.  
Net unrealized gains or losses on available-for-sale securities are included in net assets.
- Valuation criteria and methods for inventories
  - Real estate for sale in progress (Real estate under development)  
Real estate for sale in progress is recognized at cost based on the specific cost method (writing down the book value of inventories based on decreased profitability).
  - Other inventories  
Other inventories are recognized at cost based on the moving-average method (writing down the book value of inventories based on decreased profitability).
- Depreciation/amortization method for non-current assets
  - Tangible fixed assets (excluding leased assets)  
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
  - 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).
  - Leased assets  
Finance lease transactions that do not transfer ownership are depreciated to the residual value of zero by the straight-line method during the lease term.
  - Long-term prepaid expenses  
Long-term prepaid expenses are amortized using the straight-line method.
- Criteria for allowances and reserves
  - Allowance for doubtful accounts  
General allowance is provided using a rate determined by past bad debt experience and also specific allowance is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
  - Reserve for employees' bonuses  
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
  - Reserve for employees' retirement benefits  
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year. The accounting methods for reserve for employees' retirement benefits and retirement benefit expenses are as follows.
    - Method for period attribution of projected retirement benefit obligation  
In calculating employees' retirement benefit obligation, straight-line basis is used for attributing projected retirement benefit amounts to the period up to the end of current fiscal year.
    - Method for amortization of prior service cost and actuarial differences  
Prior service cost  
Prior service cost is amortized using the straight-line method over certain years (14 years) within the estimated average remaining service lives for employees in the fiscal year the difference is incurred.  
Actuarial differences  
The cost of actuarial difference is amortized in a proportional amount using the straight-line method over certain years (13-14 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.
  - 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.

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

### Changes in Presentation

(Concerning the Statements of Income)  
Because of an increase in monetary importance, Environmental expenses, which was included in Others within Other expenses in the previous fiscal year, is presented 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 Statements of Income for the previous fiscal year, ¥2,200 million listed as Others has been restated as ¥487 million in Environmental expenses and ¥1,713 million as Others.

### Notes to Balance Sheets

- Breakdown of inventories
 

Real estate for sale in progress	¥4,030 million
Merchandise	¥3,336 million
Supplies	¥4,417 million
- Accumulated depreciation of tangible fixed assets: ¥584,283 million
- Reduction entry amount for tangible fixed assets: ¥45,144 million
- Receivables and payables involving related parties
 

Short-term monetary claims:	¥3,278 million
Short-term monetary obligations:	¥17,105 million
- 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: ¥14,757 million  
Assets pledged as collateral based on the laws concerning Financial Settlements  
Investments and other assets  
Others: ¥129 million
- Contingent liabilities  
Some of the lease contracts for the precincts of post offices 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, 2014 the potential cancellation claims were ¥113,858 million.  
Even in the event of a cancellation by the company, the amount of compensation is reduced if the buildings are used for other purposes and thus 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                               | ¥19,793 million  |
| Operating expenses                             | ¥134,242 million |
| Transactions other than operational (received) | ¥2,464 million   |
| Transactions other than operational (paid)     | ¥69 million      |

### Notes to Statements of Changes in Net Assets

- Information concerning type and number of outstanding shares  
(Thousands of shares)
 

	April 1, 2013	Increase	Decrease	March 31, 2014	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 meeting on June 28, 2013	Common shares	15,015	3,753.87	March 31, 2013	June 28, 2013

## Notes to Retirement Benefits

(From April 1, 2013 to March 31, 2014)

### 1. Summary of retirement benefit scheme

Japan Post Co., Ltd. has a defined-benefit plan in the form of a lump-sum payment plan in accordance with the company's regulations on retirement benefits.

### 2. Defined-benefit plan

#### (1) Reconciliation statement for beginning balance to year-end balance of retirement benefit obligation

Beginning balance of retirement benefit obligation	¥2,063,331 million
Service cost	¥99,062 million
Interest cost	¥35,062 million
Actuarial differences incurred	(¥14,090 million)
Retirement benefit paid	(¥154,527 million)
Others	(¥676 million)
Year-end balance of retirement benefit obligation	<u>¥2,028,161 million</u>

#### (2) Reconciliation statement for year-end balance of retirement benefit obligation to reserve for employees' retirement benefits recorded on the balance sheets

Non-accumulation-type retirement benefit obligation	<u>¥2,028,161 million</u>
Unrecognized actuarial differences	¥100,366 million
Unrecognized prior service cost	(¥535 million)
Net amount of liabilities and assets recorded on the balance sheets	<u>¥2,127,992 million</u>
Reserve for employees' retirement benefits	<u>¥2,127,992 million</u>
Net amount of liabilities and assets recorded on the balance sheets	<u>¥2,127,992 million</u>

#### (3) The amount of retirement benefit expenses and subitems

Service cost	¥99,062 million
Interest cost	¥35,062 million
Amortization of actuarial differences	(¥8,305 million)
Amortization of prior service cost	¥67 million
Others	(¥215 million)
Retirement benefit expenses pertaining to the defined-benefit plan	¥125,671 million

#### (4) Matters concerning basis of actuarial calculations

Basis for principal actuarial calculations at the end of the current fiscal year  
Discount rate 1.7%

## Significant Subsequent Events

None

## Reference

### 1. A breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating expenses		
Personnel expenses	1,931,045	1,952,458
Salaries and allowances	1,362,574	1,365,847
Bonuses	149,345	160,751
Amount deferred for reserve for employees' bonuses	79,879	77,426
Retirement benefit expenses	125,523	119,198
Legal welfare expenses	213,723	229,234
Expenses	556,435	585,372
Charges for facilities	68,367	64,861
Depreciation expenses	62,388	71,287
Taxes and dues	21,972	20,374
Collection, delivery and transport outsourcing expenses	191,241	201,525
Others	212,465	227,322
Total operating expenses	2,487,480	2,537,831
Sales, general and administrative costs		
Personnel expenses	89,036	88,874
Salaries and allowances	59,489	58,647
Bonuses	8,256	9,036
Amount deferred for reserve for employees' bonuses	4,545	4,576
Retirement benefit expenses	6,815	6,472
Amount deferred for reserve for directors' retirement benefits	86	20
Legal welfare expenses	9,842	10,120
Expenses	106,271	100,253
Charges for fees and commissions	30,676	27,892
Subcontractor expenses	9,564	10,790
Depreciation expenses	21,786	20,076
Taxes and dues	10,868	10,139
Advertising expenses	10,069	10,772
Others	23,306	20,581
Total sales, general and administrative costs	195,308	189,127

Note: The previous fiscal year includes the financial results figures for Japan Post Service Co., Ltd. for the period prior to the merger (April - September 2012) and presents the amount after the elimination of intersegment transactions.

### 2. A breakdown of statements of income, operating expenses and sales, general and administrative costs for the company's each business segment are as follows.

#### (1) Postal service business segment

Note: The previous fiscal year includes the financial results figures for Japan Post Service Co., Ltd. for the period prior to the merger (April - September 2012).

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating income		
Postal service business income	1,753,326	1,776,475
Other operating income	1,099	1,160
Total operating income	1,754,426	1,777,635
Operating expenses	1,634,876	1,687,546
Gross operating income	119,549	90,088
Sales, general and administrative costs	82,143	80,634
Net operating income	37,405	9,454

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating expenses		
Personnel expenses	1,080,178	1,104,605
Salaries and allowances	784,675	797,269
Bonuses	76,609	81,560
Amount deferred for reserve for employees' bonuses	40,740	39,030
Retirement benefit expenses	57,334	56,780
Legal welfare expenses	120,818	129,964
Expenses	554,698	582,940
Charges for facilities	14,303	12,242
Depreciation expenses	41,550	47,499
Taxes and dues	10,140	10,304
Collection, delivery and transport outsourcing expenses	191,241	201,525
Postal service business consignment expenses	175,675	176,291
Others	121,786	135,077
Total operating expenses	1,634,876	1,687,546
Sales, general and administrative costs		
Personnel expenses	34,697	36,655
Salaries and allowances	23,143	24,412
Bonuses	3,204	3,691
Amount deferred for reserve for employees' bonuses	1,813	1,821
Retirement benefit expenses	2,612	2,595
Amount deferred for reserve for directors' retirement benefits	51	10
Legal welfare expenses	3,872	4,122
Expenses	47,446	43,978
Charges for fees and commissions	15,034	14,295
Subcontractor expenses	2,602	3,183
Depreciation expenses	11,507	8,751
Taxes and dues	4,312	4,129
Advertising expenses	4,304	5,482
Others	9,685	8,136
Total sales, general and administrative costs	82,143	80,634

## (2) Post office business segment

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating income		
Commissions for postal service business consignment	175,691	176,307
Commissions for banking business consignment	609,578	607,266
Commissions for insurance business consignment	378,507	367,106
Other operating income	24,159	32,848
Total operating income	1,187,938	1,183,528
Operating expenses	1,053,218	1,043,753
Gross operating income	134,719	139,775
Sales, general and administrative costs	107,502	102,229
Net operating income	27,216	37,545

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating expenses		
Personnel expenses	850,867	847,852
Salaries and allowances	577,898	568,577
Bonuses	72,735	79,191
Amount deferred for reserve for employees' bonuses	39,138	38,395
Retirement benefit expenses	68,188	62,417
Legal welfare expenses	92,905	99,270
Expenses	202,351	195,900
Charges for facilities	75,196	70,337
Depreciation expenses	15,722	18,227
Taxes and dues	10,879	9,065
Others	100,553	98,270
Total operating expenses	1,053,218	1,043,753
Sales, general and administrative costs		
Personnel expenses	54,318	52,197
Salaries and allowances	36,325	34,213
Bonuses	5,052	5,344
Amount deferred for reserve for employees' bonuses	2,732	2,754
Retirement benefit expenses	4,203	3,877
Amount deferred for reserve for directors' retirement benefits	35	9
Legal welfare expenses	5,970	5,997
Expenses	53,183	50,032
Charges for fees and commissions	15,837	13,580
Subcontractor expenses	6,352	6,479
Depreciation expenses	7,693	8,590
Taxes and dues	5,738	5,156
Advertising expenses	5,764	5,290
Others	11,797	10,935
Total sales, general and administrative costs	107,502	102,229

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

The balance sheets as of March 31, 2013 and 2014, the statements of income, the statements of changes in net assets, and the statements of cash flows for the years ended March 31, 2013 and 2014 ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with auditing standards generally accepted in Japan.

### Non-Consolidated Balance Sheets

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)		2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and due from banks (Notes 17 and 20):	9,195,940	19,463,622	Deposits (Notes 8, 9 and 20)	176,096,136	176,612,780
Cash	123,843	119,698	Payables under securities lending transactions (Notes 8 and 20)	9,443,239	10,667,591
Due from banks	9,072,096	19,343,923	Foreign exchanges (Note 3)	272	249
Call loans (Note 20)	1,837,733	1,843,569	Other liabilities (Note 10)	2,145,910	2,511,110
Receivables under securities borrowing transactions (Note 20)	8,141,533	7,212,769	Reserve for employees' bonuses	5,609	5,566
Monetary claims bought (Note 20)	58,835	62,272	Reserve for employees' retirement benefits (Note 24)	136,247	136,848
Trading account securities (Notes 20 and 21):	247	278	Reserve for directors' retirement benefits	198	—
Trading Japanese government bonds	247	278	Deferred tax liabilities (Note 25)	870,509	999,212
Money held in trust (Notes 20 and 21)	3,038,863	2,919,003	Acceptances and guarantees (Notes 7 and 8)	145,000	115,000
Securities (Notes 8, 19, 20, 21 and 22):	171,596,578	166,057,886	Total liabilities	188,843,123	191,048,358
Japanese Government Bonds	138,198,732	126,391,090	Contingent liabilities (Note 11)		
Japanese local government bonds	5,806,099	5,550,379	<b>Net assets (Note 16):</b>		
Japanese corporate bonds	11,852,985	11,384,142	Common stock	3,500,000	3,500,000
Other securities	15,738,761	22,732,273	Capital surplus	4,296,285	4,296,285
Loans (Notes 20 and 23):	3,967,999	3,076,325	Retained earnings	1,440,830	1,702,007
Loans on deeds	3,732,809	2,830,118	Total shareholders' equity	9,237,115	9,498,293
Overdrafts	235,189	246,206	Net unrealized gains (losses) on available-for-sale securities (Note 21)	2,137,265	2,563,134
Foreign exchanges (Note 3)	3,051	30,659	Deferred gains (losses) on hedges	(376,823)	(596,903)
Other assets (Notes 4, 8 and 20)	1,636,605	1,529,309	Total valuation and translation adjustments	1,760,442	1,966,231
Tangible fixed assets (Note 5)	154,882	144,588	Total net assets	10,997,558	11,464,524
Intangible fixed assets (Note 6)	64,592	58,725			
Customers' liabilities for acceptances and guarantees (Note 7)	145,000	115,000			
Reserve for possible loan losses (Note 20)	(1,182)	(1,127)			
Total assets	199,840,681	202,512,882	Total liabilities and net assets	199,840,681	202,512,882

See notes to financial statements.



## Non-Consolidated Statements of Income

(Millions of yen)

	<b>2013</b> (For the year ended March 31, 2013)	<b>2014</b> (For the year ended March 31, 2014)
<b>Revenues:</b>		
Interest income:	1,876,142	1,827,610
Interest on loans	43,712	37,954
Interest and dividends on securities	1,816,271	1,768,384
Interest on call loans	3,049	3,473
Interest on receivables under securities borrowing transactions	6,409	8,076
Interest on deposits with banks	5,976	9,031
Other interest income	724	688
Fees and commissions:	114,801	121,116
Fees and commissions on domestic and foreign exchanges	63,701	64,156
Other fees and commissions	51,100	56,960
Other operating income (Note 12)	47,524	20,487
Other income (Note 13)	87,419	107,183
<b>Total revenues</b>	<b>2,125,888</b>	<b>2,076,397</b>
<b>Expenses:</b>		
Interest expenses:	349,831	361,747
Interest on deposits	271,837	255,035
Interest on payables under securities lending transactions	11,623	13,053
Interest on borrowings	0	0
Interest on interest rate swaps	65,793	92,906
Other interest expenses	577	751
Fees and commissions:	26,675	28,426
Fees and commissions on domestic and foreign exchanges	2,645	2,963
Other fees and commissions	24,029	25,462
Other operating expenses (Note 14)	43,473	14,731
General and administrative expenses	1,110,767	1,095,016
Other expenses (Note 15)	3,588	12,010
<b>Total expenses</b>	<b>1,534,335</b>	<b>1,511,930</b>
<b>Income before income taxes</b>	<b>591,552</b>	<b>564,467</b>
<b>Income taxes (Note 25):</b>		
Current	227,940	187,855
Deferred	(10,335)	21,946
<b>Total income taxes</b>	<b>217,604</b>	<b>209,802</b>
<b>Net income</b>	<b>373,948</b>	<b>354,664</b>

(Yen)

	<b>2013</b> (For the year ended March 31, 2013)	<b>2014</b> (For the year ended March 31, 2014)
Net income per share (Note 29)	2,492.98	2,364.43

See notes to financial statements.

## Non-Consolidated Statements of Changes in Net Assets

2013 (For the year ended March 31, 2013)

(Millions of yen)

	Shareholders' Equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the fiscal year	3,500,000	4,296,285	1,150,595	8,946,881
Changes during the fiscal year				
Cash dividends			(83,713)	(83,713)
Net income			373,948	373,948
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	—	—	290,234	290,234
Balance at the end of the fiscal year	3,500,000	4,296,285	1,440,830	9,237,115

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	941,871	(70,589)	871,281	9,818,162
Changes during the fiscal year				
Cash dividends				(83,713)
Net income				373,948
Net changes in items other than shareholders' equity	1,195,394	(306,233)	889,161	889,161
Total changes during the fiscal year	1,195,394	(306,233)	889,161	1,179,395
Balance at the end of the fiscal year	2,137,265	(376,823)	1,760,442	10,997,558

2014 (For the year ended March 31, 2014)

(Millions of yen)

	Shareholders' Equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the fiscal year	3,500,000	4,296,285	1,440,830	9,237,115
Changes during the fiscal year				
Cash dividends			(93,487)	(93,487)
Net income			354,664	354,664
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	—	—	261,177	261,177
Balance at the end of the fiscal year	3,500,000	4,296,285	1,702,007	9,498,293

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	2,137,265	(376,823)	1,760,442	10,997,558
Changes during the fiscal year				
Cash dividends				(93,487)
Net income				354,664
Net changes in items other than shareholders' equity	425,869	(220,080)	205,788	205,788
Total changes during the fiscal year	425,869	(220,080)	205,788	466,966
Balance at the end of the fiscal year	2,563,134	(596,903)	1,966,231	11,464,524

## Non-Consolidated Statements of Cash Flows

(Millions of yen)

	<b>2013</b> (For the year ended March 31, 2013)	<b>2014</b> (For the year ended March 31, 2014)
<b>Cash flows from operating activities:</b>		
Income before income taxes	591,552	564,467
Adjustments for:		
Depreciation and amortization	25,812	33,480
Losses on impairment of fixed assets	606	65
Net change in reserve for possible loan losses	(27)	(54)
Net change in reserve for employees' bonuses	424	(43)
Net change in reserve for employees' retirement benefits	265	600
Net change in reserve for directors' retirement benefits	27	(198)
Interest income	(1,876,142)	(1,827,610)
Interest expenses	349,831	361,747
Losses (gains) related to securities—net	(44,166)	(4,275)
Losses (gains) on money held in trust—net	(84,389)	(103,856)
Foreign exchange losses (gains)—net	(97,934)	(279,812)
Losses on sales and disposals of fixed assets—net	874	562
Net change in loans	165,141	890,310
Net change in deposits	460,766	516,644
Net change in negotiable certificates of deposit	(50,000)	20,000
Net change in call loans, etc.	(595,419)	(9,577)
Net change in receivables under securities borrowing transactions	(2,362,705)	928,763
Net change in payables under securities lending transactions	1,141,147	1,224,351
Net change in foreign exchange assets	(421)	(27,608)
Net change in foreign exchange liabilities	119	(23)
Interest received	2,064,065	2,012,796
Interest paid	(172,694)	(206,278)
Other—net	196,648	85,524
Subtotal	(286,616)	4,179,978
Income taxes paid	(242,592)	(205,923)
Net cash provided by (used in) operating activities	(529,209)	3,974,054
<b>Cash flows from investing activities:</b>		
Purchases of securities	(79,956,927)	(35,006,121)
Proceeds from sales of securities	3,117,463	1,851,186
Proceeds from maturity of securities	83,767,734	39,196,659
Investment in money held in trust	(741,790)	(169,900)
Proceeds from disposition of money held in trust	860,899	551,125
Purchases of tangible fixed assets	(10,446)	(7,773)
Purchases of intangible fixed assets	(22,988)	(8,640)
Other—net	(400)	(77)
Net cash provided by investing activities	7,013,544	6,406,457
<b>Cash flows from financing activities:</b>		
Cash dividends paid	(83,713)	(93,487)
Net cash used in financing activities	(83,713)	(93,487)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	687	658
<b>Net change in cash and cash equivalents</b>	6,401,309	10,287,682
<b>Cash and cash equivalents at the beginning of the fiscal year</b>	2,159,630	8,560,940
<b>Cash and cash equivalents at the end of the fiscal year (Note 17)</b>	8,560,940	18,848,622

See notes to financial statements.

## Notes to Non-Consolidated Financial Statements

Years ended March 31, 2013 and 2014

### 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.

### 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 are reported at fair value;
- (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 the 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 fair value. The balance sheet amounts as of March 31, 2013 and 2014 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2013 and 2014 for equity securities and at the market price on 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—Depreciation of tangible fixed assets is computed by the straight-line method. 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 over the estimated useful life (mainly 5 years).

d. Reserve for Possible Loan Losses—The reserve for possible loan losses is provided for in accordance with the prescribed standards for write-offs and reserves 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.

e. Reserve for Employees' Bonuses—The reserve for employees' bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.

f. Reserve for Employees' Retirement Benefits—The reserve for employees' retirement benefits, which is provided for future payments to employees, is recorded in the amount deemed accrued based on the projected benefit obligation at the end of the fiscal year ended March 31, 2014. The method of attributing projected benefit obligation to periods ending on or before March 31, 2014 is the straight-line attribution method.

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.

g. Foreign Currency Transactions—Foreign currency denominated assets and liabilities on the balance sheet date are translated into Japanese yen principally at the exchange rates in effect on the balance sheet date.

h. Derivatives and Hedging Activities—Derivatives are stated at fair value. 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 how the hedging instruments offset changes in the fair value of hedged items by grouping them into their maturities.

The Bank considers the individual hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items are almost the same as the hedging instruments, which allows the interest rate swaps to meet 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.

The Bank considers the individual 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.

- i. 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.
- j. Consumption Taxes—The Bank is subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.
- k. Income Taxes—The Bank adopts the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company.
- l. Accounting Pronouncements Issued But Not Yet Adopted—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:
  - Overview  
From the viewpoint of financial reporting improvement and international convergence, the aforementioned accounting standard and guidance has been revised mainly focusing on the enhancement of disclosure and how retirement benefit obligations and current service costs should be determined.
  - Planned Effective Dates  
The Bank will adopt the revised determination of retirement benefit obligations and current service costs at the beginning of the fiscal year starting on April 1, 2014.
  - Effect of Adopting this Accounting Standard and Guidance  
Upon adoption of this accounting standard and guidance, reserve for employees' retirement benefits at the beginning of the fiscal year starting on April 1, 2014 is expected to increase by ¥13,730 million while deferred tax liabilities and retained earnings at the beginning of the fiscal year starting on April 1, 2014 are expected to decrease by ¥4,893 million and ¥8,837 million, respectively.
- m. Changes in Presentation—The presentation of footnote information relating to the reserve for employees' retirement benefits has changed following the application of the "Accounting Standard for Retirement Benefits" and "Guidance on Retirement Benefits" from the fiscal year ended March 31, 2014 (with the exemption of the revised determination of retirement benefit obligations and current service costs effective from the start of the fiscal year which began on April 1, 2014).  
The footnote information related to Reserve for Employees' Retirement Benefits has not been restated because the Bank has followed the transitional treatment in Article 37 of the ASBJ "Retirement Benefits Accounting Standard."

### 3. Foreign Exchanges

Foreign exchanges as of March 31, 2013 and 2014 consisted of the following:  
(Millions of yen)

	2013	2014
<b>Assets:</b>		
Due from foreign banks	3,018	30,630
Foreign bills bought and foreign exchanges purchased	32	29
<b>Total</b>	<b>3,051</b>	<b>30,659</b>
<b>Liabilities:</b>		
Foreign bills sold	32	43
Foreign bills payable	239	206
<b>Total</b>	<b>272</b>	<b>249</b>

### 4. Other Assets

Other assets as of March 31, 2013 and 2014 consisted of the following:  
(Millions of yen)

	2013	2014
Domestic exchange settlement accounts—debit	3,470	18,431
Prepaid expenses	10,898	7,751
Accrued income	362,754	345,089
Derivatives other than trading	7,671	5,172
Other	1,251,810	1,152,864
<b>Total</b>	<b>1,636,605</b>	<b>1,529,309</b>

### 5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Buildings	105,336	107,165
Land	26,991	26,953
Construction in progress	19	363
Other	170,753	173,234
<b>Subtotal</b>	<b>303,101</b>	<b>307,716</b>
Accumulated depreciation	148,218	163,128
<b>Total</b>	<b>154,882</b>	<b>144,588</b>

### 6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Software	141,374	100,473
Other	9,252	6,465
<b>Subtotal</b>	<b>150,626</b>	<b>106,939</b>
Accumulated depreciation	86,033	48,214
<b>Total</b>	<b>64,592</b>	<b>58,725</b>

### 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 2014 were as follows:

(Millions of yen)

	2013	2014
<b>Assets pledged as collateral:</b>		
Securities	37,240,751	34,935,490
<b>Liabilities corresponding to assets pledged as collateral:</b>		
Deposits	29,974,390	26,038,039
Payables under securities lending transactions	9,443,239	10,667,591
Acceptances and guarantees	145,000	115,000

In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions were substituted by securities of ¥4,900,344 million and ¥5,960,122 million as of March 31, 2013 and 2014, respectively.

"Other assets" included guarantee deposits of ¥1,697 million and ¥2,180 million, as of March 31, 2013 and 2014, respectively.

### 9. Deposits

Deposits as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Transfer deposits	10,209,954	10,925,669
Ordinary deposits	44,900,184	45,238,071
Savings deposits	402,558	396,371
Time deposits	18,817,949	14,781,463
Special deposits*	29,958,707	26,021,946
TEIGAKU deposits**	71,560,721	78,994,737
Other deposits	246,060	254,519
<b>Total</b>	<b>176,096,136</b>	<b>176,612,780</b>

\* "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 deposits unique to the 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 2014 consisted of the following:  
(Millions of yen)

	2013	2014
Domestic exchange settlement accounts—credit	7,817	25,576
Income taxes payable	37,541	25,749
Accrued expenses	1,091,251	1,242,505
Unearned income	122	110
Derivatives other than trading	683,309	990,873
Asset retirement obligations	301	614
Other	325,566	225,680
Total	2,145,910	2,511,110

#### 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 2014 are as follows:

(Millions of yen)

	2013	2014
One year or less	5,625	4,332
Over one year	6,822	6,742
Total	12,448	11,075

#### 12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Gains on foreign exchanges	—	1,480
Gains on sales of bonds	47,403	9,207
Gains on redemption of bonds	—	9,799
Income from derivatives other than for trading or hedging	120	—
Total	47,524	20,487

#### 13. Other Income

Other income for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Gains on money held in trusts	84,391	103,858
Reversal of reserve for possible loan losses	17	37
Recoveries of written-off claims	17	22
Other	2,993	3,265
Total	87,419	107,183

#### 14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Losses on foreign exchanges	40,236	—
Losses on sales of bonds	3,236	14,731
Total	43,473	14,731

#### 15. Other Expenses

Other expenses for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Losses on money held in trust	1	2
Losses on sales and disposals of fixed assets	874	562
Losses on impairment of fixed assets	606	65
Group restructuring expenses	501	—
Other	1,603	11,379
Total	3,588	12,010

#### 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 legal capital surplus, 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 reserved as legal retained earnings or legal capital surplus until the total amount of them equals 100% of common stock. Legal retained earnings and legal capital surplus 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 legal capital surplus 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.

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 2014 were as follows:

(Thousands of shares)

	Authorized	Number of shares outstanding at the beginning of the fiscal year	Increase	Decrease	Number of shares outstanding at the end of the fiscal year
March 31, 2013 Common stock	600,000	150,000	—	—	150,000
March 31, 2014 Common stock	600,000	150,000	—	—	150,000

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



Dividends distributed during the fiscal year ended March 31, 2014:

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

Of dividends whose record date was included in the fiscal years ended March 31, 2013 and 2014, those whose effective date occurs after the fiscal year's closing

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

2014					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 9, 2014	Common stock	93,987	626.58	March 31, 2014	May 12, 2014

#### 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 2014 was as follows:

(Millions of yen)

	2013	2014
Cash and due from banks	9,195,940	19,463,622
Due from banks- negotiable certificates of deposit in other banks	(635,000)	(615,000)
Cash and cash equivalents	8,560,940	18,848,622

#### 18. Leases

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2013 and 2014 were as follows:

(Millions of yen)

	2013	2014
Due within one year	1,157	759
Due over one year	2,685	1,949
Total	3,843	2,709

#### 19. Securities

As of the end of the fiscal year ended March 31, 2014, Japanese Government Bonds include ¥100,660 million of secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions). There were no secured loaned Japanese Government Bonds as of the end of the fiscal year ended March 31, 2013.

As of the end of the fiscal years ended March 31, 2013 and 2014, the Bank had the right to sell or pledge without restriction for securities held amounting to ¥8,150,664 million and ¥7,214,612 million among securities borrowed under 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, 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, and 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 viewpoint 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 h. 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 Department 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, 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 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%; and observation period of 1,200 days (five years)). From the fiscal year ended March 31, 2014, the Bank has improved its internal model for liabilities to better reflect its actual status and increase its accuracy. In addition, it has revised its method and recognizes the risk posed by credit spread fluctuations of corporate bonds and other instruments as a market risk, rather than as a credit risk. As of March 31, 2013 and 2014, the Bank calculates the amounts of its market risk (estimated potential losses from such risk) as ¥1,502,106 million and ¥2,692,520 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. To complement such risks, the Bank conducts stress testing using a variety of scenarios.

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 2014 were as follows. Insignificant balance sheet accounts are not disclosed.

(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)	—

(Millions of yen)

2014			
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	19,463,622	19,463,622	—
(2) Call loans	1,843,569	1,843,569	—
(3) Receivables under securities borrowing transactions	7,212,769	7,212,769	—
(4) Monetary claims bought	62,272	62,272	—
(5) Trading account securities:			
Securities classified as trading purposes	278	278	—
(6) Money held in trust	2,919,003	2,919,003	—
(7) Securities:			
Held-to-maturity securities	89,602,957	92,084,639	2,481,681
Available-for-sale securities	76,453,993	76,453,993	—
(8) Loans:	3,076,325		
Reserve for possible loan losses*	(117)		
	3,076,208	3,164,803	88,594
Total assets	200,634,676	203,204,952	2,570,276
(1) Deposits	176,612,780	177,267,508	654,728
(2) Payables under securities lending transactions	10,667,591	10,667,591	—
Total liabilities	187,280,371	187,935,100	654,728
Derivative transactions**:			
For which hedge accounting is not applied	141	141	—
For which hedge accounting is applied	(985,842)	(985,842)	—
Total derivative transactions	(985,700)	(985,700)	—

\* 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)

Valuation methodology for financial instruments

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, (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 "h. Money held in trust" of Note 21. Fair Value Information.

## (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

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.

Derivative transactions

Derivative transactions consist of interest rate-related instruments (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 2014 was as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities."

(Millions of yen)

	2013	2014
Type	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates (unlisted)	935	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 2014 were as follows:

(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

(Millions of yen)

2014						
	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	19,343,923	—	—	—	—	—
Call loans	1,843,569	—	—	—	—	—
Receivables under securities borrowing transactions	7,212,769	—	—	—	—	—
Monetary claims bought	63	1,378	13,761	10,000	7,000	29,122
Securities:	34,050,652	42,827,443	25,328,349	19,740,209	30,978,206	2,887,917
Held-to-maturity securities:	23,724,520	27,521,919	13,315,184	7,475,531	17,502,070	—
Japanese Government Bonds	22,288,700	25,288,440	11,348,000	6,941,500	17,034,400	—
Japanese local government bonds	441,674	700,513	44,622	—	—	—
Japanese corporate bonds	965,509	1,461,279	1,890,084	501,598	467,670	—
Other securities	28,637	71,686	32,478	32,433	—	—
Available-for-sale securities (with maturity date):	10,326,131	15,305,523	12,013,164	12,264,678	13,476,136	2,887,917
Japanese Government Bonds	6,849,040	8,926,680	5,066,566	7,779,879	11,697,389	1,788,000
Japanese local government bonds	360,221	759,591	981,722	1,544,805	514,243	33,706
Japanese corporate bonds	1,283,545	1,116,848	1,368,621	849,277	259,300	1,066,211
Other securities	1,833,325	4,502,403	4,596,253	2,090,715	1,005,203	—
Loans	764,855	871,196	479,258	422,462	304,334	230,431
Total	63,215,833	43,700,018	25,821,369	20,172,672	31,289,540	3,147,471

(Note 4)

Scheduled repayment amounts of interest-bearing liabilities subsequent to fiscal years ended March 31, 2013 and 2014 were as follows:

(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	—

(Millions of yen)

2014						
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	76,030,031	11,218,546	32,951,793	22,382,440	34,029,968	—
Payables under securities lending transactions	10,667,591	—	—	—	—	—
Total	86,697,623	11,218,546	32,951,793	22,382,440	34,029,968	—

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

## 21. Fair Value Information

The 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, certain monetary claims bought, 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 2014.

## b. Held-to-maturity securities

(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

(Millions of yen)

2014				
	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	80,965,607	83,250,657	2,285,049
	Japanese local government bonds	1,185,705	1,213,665	27,960
	Japanese corporate bonds	5,092,189	5,252,371	160,181
	Others	165,235	227,832	62,597
	Total	87,408,737	89,944,525	2,535,788
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,993,687	1,993,605	(81)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	200,532	200,495	(37)
	Others	—	—	—
	Total	2,194,220	2,194,100	(119)
Total		89,602,957	92,138,626	2,535,669

## c. Investments in subsidiaries and affiliates

As of March 31, 2013 and 2014, there were no investments in subsidiaries.

The securities of affiliates (¥935 million as of March 31, 2013 and ¥935 million as of March 31, 2014) were all unlisted, and did not have a market price. Since it was extremely difficult to determine a fair value for the securities, the fair value and different amounts were not disclosed.

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

(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

(Millions of yen)

2014				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	51,313,916	49,877,182	1,436,733
	Japanese Government Bonds	41,792,292	40,617,193	1,175,098
	Japanese local government bonds	4,154,660	4,034,384	120,275
	Japanese corporate bonds	5,366,963	5,225,604	141,358
	Others	21,399,537	19,163,334	2,236,203
	Total	72,713,454	69,040,517	3,672,937
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	2,573,973	2,584,114	(10,140)
	Japanese Government Bonds	1,639,501	1,639,635	(133)
	Japanese local government bonds	210,014	210,378	(364)
	Japanese corporate bonds	724,457	734,100	(9,642)
	Others	1,843,837	1,849,339	(5,501)
	Total	4,417,811	4,433,453	(15,641)
Total		77,131,266	73,473,970	3,657,295

Note: Of the difference shown above, ¥133,725 million and ¥330,537 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2013 and 2014 because of the application of fair value hedge accounting.

- e. Held-to-maturity securities sold during the fiscal year  
Held-to-maturity securities sold during the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(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

(Millions of yen)

2014			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	—	—	—
Total	—	—	—

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 2014 consisted of the following:

(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)

(Millions of yen)

2014			
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	1,572,513	8,973	(8,395)
Japanese Government Bonds	1,560,117	8,484	(8,277)
Japanese corporate bonds	12,396	489	(117)
Others	278,672	233	(6,335)
Total	1,851,186	9,207	(14,731)

- g. Securities for which accounting for impairment was applied  
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 to 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 losses were recognized for the fiscal years ended March 31, 2013 and 2014.

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. 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 2014.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2013 and 2014 were as follows:

(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)

(Millions of yen)

2014					
	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	2,919,003	2,263,320	655,682	661,280	(5,597)

Notes: 1. The amount on the balance sheet is stated at the average market price of the final month for the fiscal year for equity securities and at the market price on the balance sheet date for other securities.

2. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.

- i. Money held in trust for which accounting for impairment was applied  
For money held in trust (excluding money held in trust for the purpose of trading) 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 to 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 2014 amounted to ¥10,601 million and ¥840 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

- j. Unrealized gains (losses) on available-for-sale securities  
Unrealized gains (losses) on available-for-sale securities as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Valuation differences:	3,327,948	3,982,440
Available-for-sale securities	2,830,273	3,326,757
Available-for-sale money held in trust	497,674	655,682
Deferred tax assets (liabilities)	(1,190,683)	(1,419,306)
Unrealized gains (losses) on available-for-sale securities	2,137,265	2,563,134

Note: Of the difference shown above, ¥133,725 million and ¥330,537 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2013 and 2014 because of the application of fair value hedge accounting.

22. Derivatives

- a. Derivatives for which hedge accounting is not applied as of March 31, 2013 and 2014

For derivative transactions for which hedge accounting is not applied, the contract amounts on 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 valuation method 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 2014



## (2) Currency-related derivatives

(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)

(Millions of yen)

2014					
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	10,150	—	141	141
Total		—	—	141	141

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 cash flows.

- (3) Equity-related derivatives: None as of March 31, 2013 and 2014  
 (4) Bond-related derivatives: None as of March 31, 2013 and 2014  
 (5) Commodity-related derivatives: None as of March 31, 2013 and 2014  
 (6) Credit derivatives: None as of March 31, 2013 and 2014

## b. Derivatives for which hedge accounting is applied as of March 31, 2013 and 2014

For derivative instruments for which hedge accounting is applied, the contract amount on 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 valuation method 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)

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)

(Millions of yen)

2014					
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 and foreign securities)	2,913,747	2,913,747	(201,753)
Total			—	—	(201,753)

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 cash flows.

## (2) Currency-related derivatives

(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	
	Currency swap		80,198	59,220	(Note 3)
Total			—	—	(439,855)

(Millions of yen)

2014					
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)	244,301	153,648	(62,151)
	Currency swap		2,721,308	2,175,135	(718,218)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	1,114,137	—	(3,718)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	115,726	82,388	
	Currency swap		59,220	59,220	(Note 3)
Total			—	—	(784,088)

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 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 2014

(4) Bond-related derivatives: None as of March 31, 2013 and 2014

## 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 2014.

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 and ¥2,735 million as of March 31, 2013 and 2014 respectively. Of this amount, there were no 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 as of March 31, 2014. As of March 31, 2013, these loans amounted to ¥5,000 million.

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

## 24. Reserve for Retirement Benefits

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

- Outline of employees' retirement benefit plans adopted by the Bank  
The Bank has an internally funded lump-sum retirement payment plan for employees based on the internal retirement benefit rule.
- Projected retirement benefit obligation

(Millions of yen)

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

## 3. Total retirement benefit costs

(Millions of yen)

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

## 4. Assumptions used in the calculation of retirement benefit obligations

	2013
Discount rate	1.7%
Method of attributing the projected benefit obligation to period of service	Straight-line method
Amortization period of unrecognized actuarial losses	10 years

An outline of employees' retirement benefits as of March 31, 2014 was as follows:

1. Outline of employees' retirement benefit plans adopted by the Bank  
The Bank has an internally funded lump-sum retirement payment plan for employees based on the internal retirement benefit rule.
2. Defined-benefit plan  
(1) Reconciliation of the projected benefit obligation at the beginning and the end of the fiscal year

(Millions of yen)

	2014
Projected benefit obligation at the beginning of the fiscal year	128,120
Service cost	6,349
Interest cost on projected benefit obligation	2,185
Unrecognized net actuarial losses in the fiscal year	(49)
Retirement benefits paid	(7,230)
Others	323
Projected benefit obligation at the end of the fiscal year	129,697

- (2) Reconciliation of the projected benefit obligation at the end of the fiscal year and the reserve for employees' retirement benefits recorded on the balance sheet

(Millions of yen)

	2014
Unfunded projected benefit obligation	129,697
Unrecognized net actuarial losses	7,150
Net amount recorded on the balance sheet	136,848
Reserve for employees' retirement benefits	136,848
Net amount recorded on the balance sheet	136,848

- (3) Total retirement benefit costs and components

(Millions of yen)

	2014
Service cost	6,349
Interest cost on projected benefit obligation	2,185
Amortization of unrecognized net actuarial losses	(1,027)
Others	152
Total retirement benefit costs related to the defined-benefit plan	7,660

- (4) The major assumptions used in the calculation of actuarial gains and losses

	2014
Discount rate	1.7%

## 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 2014 were as follows:

(Millions of yen)

	2013	2014
Deferred tax assets:		
Reserve for possible loan losses	171	179
Reserve for employees' retirement benefits	48,806	48,771
Depreciation	17,326	13,813
Accrued interest on deposits	24,217	12,411
Impairment losses of money held in trust	3,076	2,103
Deferred losses on hedges	208,661	330,528
Accrued enterprise taxes	9,111	5,488
Other	18,686	19,246
Total deferred tax assets	330,059	432,542
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(1,190,683)	(1,419,306)
Other	(9,885)	(12,448)
Total deferred tax liabilities	(1,200,568)	(1,431,754)
Net deferred tax assets (liabilities)	(870,509)	(999,212)

For the fiscal years ended March 31, 2013 and 2014, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

Adjustment of deferred tax assets and deferred tax liabilities following the change in the corporate income tax rate, etc.

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014, and accordingly, the special corporation tax for reconstruction will no longer be levied from fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities has been revised to 35.63%, from 38.01%. The lowered rate has been applied to the temporary differences that are expected to be deductible in the fiscal year beginning on April 1, 2014. In response to this change in the tax rate, deferred tax liabilities decreased by ¥2,920 million, net unrealized gains on available-for-sale securities increased by ¥5,017 million and deferred income taxes increased by ¥2,096 million.

## 26. Profit or Loss from Equity Method

The details for the fiscal years ended March 31, 2013 and 2014 were as follows:

(Millions of yen)

	2013	2014
Investments in affiliates	935	935
Investments, if equity method accounting is adopted	923	912
Investment gains (losses), if equity method accounting is adopted	22	(11)

## 27. Segment Information

Segment Information

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

Related Information

### a. Information about services

Information about services is omitted since 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 2014.

### 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 2014.

#### 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 2014.

### 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 2014.

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 2014 were as follows:

- (1) Transactions between the Bank and the parent company, or major shareholders:

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

Transaction conditions and policies on determining transaction conditions, etc.

\* 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 arm's length principle.

\*\*\* 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 taxes. Year-end balance includes consumption taxes.

For the fiscal year ended March 31, 2014  
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	¥22,069 million	¥22,639 million	¥3,044 million
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥4,543 million	¥1,889 million	¥266 million

Transaction conditions and policies on determining transaction conditions, etc.

\* 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 arm's length principle.

\*\*\* 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 taxes. Year-end balance includes consumption taxes.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:  
None for the fiscal years ended March 31, 2013 and 2014

(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, 2013  
JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil			
Capital	¥100,000 million			
Nature of transactions	Commissions on bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of commissions on 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

Transaction conditions and policies on determining transaction conditions, etc.

\* The figures are determined based on costs incurred in connection with commissions on bank agency services.

\*\* 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.

\*\*\*\* Fees are paid for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

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

For the year ended March 31, 2014  
JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil			
Capital	¥100,000 million			
Nature of transactions	Commissions on bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of commissions on bank agency services*	Receipt and payment of funds related to bank agency services	Payment of consignment fees for logistics operations****	
Transaction amount	¥607,266 million	¥1,112,876 million	—	¥2,749 million
Account	Other liabilities	Other assets **	Other liabilities ***	Other liabilities
Outstanding balance at end of the fiscal year	¥52,141 million	¥1,020,000 million	¥45,558 million	¥419 million

Transaction conditions and policies on determining transaction conditions, etc.

\* The figures are determined based on costs incurred in connection with commissions on bank agency services.

\*\* 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, 2014.

\*\*\* 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.

\*\*\*\* Fees are paid for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

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

(4) Transactions between the Bank and directors and/or executive officers:

None for the fiscal years ended March 31, 2013 and 2014

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 2014 and net income per share for the years then ended were as follows:

(Yen)

	2013	2014
Net assets per share	73,317.05	76,430.16
Net income per share	2,492.98	2,364.43

Net assets per share as of March 31, 2013 and 2014 were calculated based on the following:

(Millions of yen)

	2013	2014
Net assets	10,997,558	11,464,524
Net assets attributable to common stock at the end of the fiscal year	10,997,558	11,464,524
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	150,000	150,000

Net income per share data for the fiscal years ended March 31, 2013 and 2014 were calculated based on the following:

(Millions of yen)

	2013	2014
Net income	373,948	354,664
Net income attributable to common stock	373,948	354,664
Average number of common stock outstanding during the fiscal year (thousand shares)	150,000	150,000

Note: Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2013 and 2014.

## 30. Subsequent Event

None

## 6. Japan Post Insurance Co., Ltd. —Consolidated Financial Data

The consolidated balance sheets as of March 31, 2014 and 2013 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Insurance 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 Sheet

			(Millions of yen)		
Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)	Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
<b>Assets</b>			<b>Liabilities</b>		
Cash and deposits	726,649	1,670,837	Policy reserves and other reserves	84,746,052	80,799,941
Call loans	203,452	230,025	Reserve for outstanding claims	947,123	831,690
Receivables under securities borrowing transactions	2,331,286	2,822,188	Policy reserves	81,401,981	77,745,490
Monetary claims bought	427,417	107,448	Reserve for policyholders' dividends	2,396,947	2,222,759
Money held in trust	256,832	581,627	Reinsurance payables	191	1,234
Securities	72,557,197	69,377,991	Other liabilities	3,661,604	4,080,744
Loans	12,691,554	11,020,585	Reserve for possible claim payments	7,003	1,881
Tangible fixed assets	86,064	89,453	Reserve for employees' retirement benefits	58,821	—
Land	40,728	40,726	Reserve for directors' retirement benefits	173	—
Buildings	33,305	33,353	Liability for retirement benefits	—	56,627
Lease assets	1,394	1,507	Reserve under the special law	522,872	614,233
Construction in progress	15	1,648	Reserve for price fluctuations	522,872	614,233
Other tangible fixed assets	10,621	12,218	<b>Total liabilities</b>	<b>88,996,720</b>	<b>85,554,663</b>
Intangible fixed assets	105,865	124,161	<b>Net assets</b>		
Software	105,821	124,130	Capital stock	500,000	500,000
Lease assets	19	12	Capital surplus	500,044	500,044
Other intangible fixed assets	24	18	Retained earnings	310,958	351,010
Agency accounts receivable	133,911	102,651	<b>Total shareholders' equity</b>	<b>1,311,002</b>	<b>1,351,054</b>
Reinsurance receivables	—	234	Net unrealized gains on available-for-sale securities	155,778	184,774
Other assets	482,150	374,099	Deferred gains (losses) on derivatives under hedge accounting	—	11
Deferred tax assets	462,214	592,532	Defined retirement benefit plan	—	2,296
Allowance for doubtful accounts	(1,095)	(1,036)	<b>Total accumulated other comprehensive income</b>	<b>155,778</b>	<b>187,082</b>
<b>Total assets</b>	<b>90,463,501</b>	<b>87,092,800</b>	<b>Total net assets</b>	<b>1,466,780</b>	<b>1,538,136</b>
			<b>Total liabilities and net assets</b>	<b>90,463,501</b>	<b>87,092,800</b>

## Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### 1) Consolidated Statement of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Ordinary income</b>	<b>11,834,945</b>	<b>11,234,114</b>
<b>Insurance premiums and the other</b>	<b>6,481,772</b>	<b>5,911,643</b>
<b>Investment income</b>	<b>1,560,789</b>	<b>1,540,615</b>
Interest, dividends and other income	1,500,194	1,458,190
Gains from money held in trust	—	9,736
Gains on sales of securities	60,344	71,074
Gains on redemption of securities	62	54
Foreign exchange gains	—	1,452
Other investment income	188	107
<b>Other ordinary income</b>	<b>3,792,383</b>	<b>3,781,854</b>
Reversal of reserve for outstanding claims	48,611	115,432
Reversal of policy reserves	3,741,858	3,656,490
Other ordinary income	1,912	9,931
<b>Ordinary expenses</b>	<b>11,305,998</b>	<b>10,771,365</b>
<b>Insurance claims and others</b>	<b>10,673,000</b>	<b>10,160,877</b>
Insurance claims	10,189,390	9,511,326
Annuity payments	197,107	256,746
Benefits	26,231	33,941
Surrender benefits	154,965	220,263
Other refunds	105,305	135,968
Reinsurance premiums	—	2,631
<b>Provision for policy reserves and others</b>	<b>9,008</b>	<b>4,627</b>
Provision for interest portion on reserve for policyholders' dividends	9,008	4,627
<b>Investment expenses</b>	<b>29,515</b>	<b>18,122</b>
Interest expenses	3,753	4,963
Losses on money held in trust	4,108	—
Losses on sales of securities	19,665	10,205
Losses on redemption of securities	78	62
Losses on derivative financial instruments	318	2,161
Foreign exchange losses	672	—
Provision for allowance for doubtful accounts	18	8
Other investment expenses	900	721
<b>Operating expenses</b>	<b>513,256</b>	<b>513,999</b>
<b>Other ordinary expenses</b>	<b>81,216</b>	<b>73,738</b>
<b>Ordinary profit</b>	<b>528,946</b>	<b>462,748</b>
<b>Extraordinary gains</b>	<b>127</b>	<b>—</b>
Other extraordinary gains	127	—
<b>Extraordinary losses</b>	<b>67,107</b>	<b>100,030</b>
Losses on disposal of fixed assets	1,958	8,670
Provision for reserve under the special law	64,656	91,360
Provision for reserve for price fluctuations	64,656	91,360
Group reorganization expenses	491	—
<b>Provision for reserve for policyholders' dividends</b>	<b>307,427</b>	<b>242,146</b>
<b>Income before income taxes and minority interests</b>	<b>154,540</b>	<b>120,571</b>
<b>Income taxes - current</b>	<b>199,441</b>	<b>200,724</b>
<b>Income taxes - deferred</b>	<b>(135,580)</b>	<b>(142,955)</b>
<b>Total income taxes</b>	<b>63,861</b>	<b>57,769</b>
<b>Income before minority interests</b>	<b>90,678</b>	<b>62,802</b>
<b>Minority interests</b>	<b>—</b>	<b>—</b>
<b>Net income</b>	<b>90,678</b>	<b>62,802</b>



## 2) Consolidated Statement of Comprehensive Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Income before minority interests</b>	<b>90,678</b>	<b>62,802</b>
<b>Other comprehensive income</b>		
Net unrealized gains on available-for-sale securities	98,627	28,996
Deferred gains (losses) on derivatives under hedge accounting	—	11
<b>Total other comprehensive income</b>	<b>98,627</b>	<b>29,007</b>
<b>Total comprehensive income</b>	<b>189,305</b>	<b>91,810</b>
Total comprehensive income attributable to:		
Owners of the parent	189,305	91,810
Minority interests	—	—

## Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2013

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	500,000	500,044	237,213	1,237,257
Changes during the year				
Dividends			(16,933)	(16,933)
Net income			90,678	90,678
Net changes other than shareholders' equity				
Total changes during the year	—	—	73,745	73,745
Balance at the end of the year	500,000	500,044	310,958	1,311,002

Item	Accumulated other comprehensive income		
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Defined retirement benefit plan
Balance at the beginning of the year	57,151	—	—
Changes during the year			
Dividends			
Net income			
Net changes other than shareholders' equity	98,627		
Total changes during the year	98,627	—	—
Balance at the end of the year	155,778	—	—

For the year ended March 31, 2014

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	500,000	500,044	310,958	1,311,002
Changes during the year				
Dividends			(22,750)	(22,750)
Net income			62,802	62,802
Net changes other than shareholders' equity				
Total changes during the year	—	—	40,052	40,052
Balance at the end of the year	500,000	500,044	351,010	1,351,054

Item	Accumulated other comprehensive income		
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Defined retirement benefit plan
Balance at the beginning of the year	155,778	—	—
Changes during the year			
Dividends			
Net income			
Net changes other than shareholders' equity	28,996	11	2,296
Total changes during the year	28,996	11	2,296
Balance at the end of the year	184,774	11	2,296

## Consolidated Statement of Cash Flows

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	154,540	120,571
Depreciation	34,390	34,074
Increase (decrease) in reserve for outstanding claims	(48,611)	(115,432)
Increase (decrease) in policy reserves	(3,741,858)	(3,656,490)
Interest portion on reserve for policyholders' dividends	9,008	4,627
Provision for reserve for policyholders' dividends	307,427	242,146
Increase (decrease) in allowance for doubtful accounts	16	(59)
Increase (decrease) in reserve for possible claim payments	7,003	(5,122)
Increase (decrease) in reserve for directors' retirement benefits	7	(173)
Increase (decrease) in reserve for employees' retirement benefits	1,521	—
Increase (decrease) in liability for retirement benefits	—	(2,193)
Increase (decrease) in reserve for price fluctuations	64,656	91,360
Interest, dividends and other income	(1,500,194)	(1,458,190)
Losses (gains) related to securities	(40,662)	(60,861)
Interest expenses	3,753	4,963
Foreign exchange losses (gains)	672	(1,452)
Losses (gains) related to tangible fixed assets	148	280
Group reorganization expenses	491	—
Decrease (increase) in agency accounts receivables	(18,725)	31,259
Decrease (increase) in reinsurance receivables	—	(234)
Decrease (increase) in other assets (excluding investing and financing activities)	(56,923)	(26,487)
Increase (decrease) in reinsurance payables	(75)	1,043
Increase (decrease) in other liabilities (excluding investing and financing activities)	(20,093)	(11,090)
Others, net	6,369	2,263
Subtotal	(4,837,137)	(4,805,197)
Interest and dividend income received	1,581,800	1,653,556
Interest expenses paid	(3,754)	(4,911)
Policyholders' dividends paid	(430,448)	(420,523)
Others, net	(363)	—
Income taxes paid	(245,738)	(174,063)
<b>Net cash provided by (used in) operating activities</b>	<b>(3,935,642)</b>	<b>(3,751,139)</b>

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Cash flows from investing activities</b>		
Payments for purchases of call loans	(30,330,152)	(32,758,125)
Proceeds from redemption of call loans	30,724,414	32,731,552
Payments for purchases of monetary claims bought	(2,044,334)	(2,746,495)
Proceeds from sales and redemption of monetary claims bought	1,632,157	3,066,421
Payments for increase in money held in trust	(10,000)	(290,000)
Proceeds from decrease in money held in trust	34,951	13,813
Payments for purchases of securities	(7,800,780)	(6,587,951)
Proceeds from sales and redemption of securities	9,936,387	9,806,272
Origination of loans	(1,802,395)	(1,610,231)
Proceeds from collection of loans	3,034,426	3,273,164
Net increase (decrease) in receivables/payables under securities borrowing/lending transactions	313,935	97,715
Others, net	(197,656)	(229,212)
Total of net cash provided by (used in) investment transactions	3,490,954	4,766,922
<b>(Total of net cash provided by (used in) operating activities and investment transactions)</b>	<b>(444,688)</b>	<b>1,015,783</b>
Payments for purchases of tangible fixed assets	(4,629)	(6,052)
Proceeds from sales of tangible fixed assets	—	9
Payments for purchases of intangible fixed assets	(33,868)	(39,808)
Others, net	(659)	(2,550)
<b>Net cash provided by (used in) investing activities</b>	<b>3,451,797</b>	<b>4,718,522</b>
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(355)	(444)
Dividends paid	(16,933)	(22,750)
<b>Net cash provided by (used in) financing activities</b>	<b>(17,289)</b>	<b>(23,195)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>—</b>	<b>—</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(501,134)</b>	<b>944,187</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,227,784</b>	<b>726,649</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>726,649</b>	<b>1,670,837</b>

## Notes to the consolidated financial statements

### Basis of presentation

(1) The accompanying consolidated financial statements of Japan Post Insurance Co., Ltd. (the "Company") and its subsidiary (collectively, the "Companies") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) Fractional amounts of less than ¥1 million are rounded down, except for per share information. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

### Basis for preparation of the consolidated financial statements

#### 1. Scope of consolidation

All subsidiaries have been consolidated.

Number of consolidated subsidiaries: One

Name of consolidated subsidiary: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.

#### 2. Application of the equity method

None

#### 3. Fiscal year end of consolidated subsidiary

The consolidated subsidiary has the same fiscal year end as that of the consolidated financial statements.

#### 4. Significant accounting policies

##### (1) Valuation methods for significant assets

###### 1) Securities

Securities, including cash and deposits, monetary claims bought which are equivalent to securities, and securities managed as assets of money held in trust, are carried as explained below:

###### (i) Held-to-maturity bonds

Stated at amortized cost (straight-line method), determined by the moving-average method

###### (ii) Policy-reserve-matching bonds (in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching bonds in the Insurance Industry" issued by the Japanese Institute of Certified Public Accountants)

Stated at amortized cost (straight-line method), determined by the moving-average method

###### (iii) Available-for-sale securities

###### a. Available-for-sale securities with fair value

Valued at fair value at the end of the fiscal year (for stocks and stock mutual funds, the average quoted price for the last month immediately prior to the end of the fiscal year), with cost determined by the moving-average method.

###### b. Available-for-sale securities whose fair value is extremely difficult to measure

- Government and corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustments

Valued at the amortized cost (straight-line method), determined by the moving-average method

###### • Others

Valued at cost determined by the moving-average method

Net unrealized gains or losses on available-for-sale securities are presented as a separate component of net assets.

#### 2) Derivatives

Derivatives are reported at fair value.

#### (2) Depreciation methods for significant depreciable assets

##### 1) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated using the straight-line method.

Estimated useful lives of major assets are as follows:

- (i) Buildings, attached improvements and structures  
2 to 55 years
- (ii) Other tangible fixed assets  
2 to 20 years

##### 2) Intangible fixed assets (excluding lease assets)

Amortization of software for internal use is calculated using the straight-line method over the estimated useful life (generally 5 years).

##### 3) Lease assets

Depreciation of lease assets with regard to finance leases whose ownership does not transfer to the lessees is computed by the straight-line method assuming zero-salvage value over the lease terms.

#### (3) Allowances and reserves

##### 1) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on the internal rules for self-assessment and internal rules for write-offs and provisions. It is calculated based on the historical credit loss experience and estimated uncollectible amounts for specific loans.

For all loans and claims, the relevant department performs an asset quality assessment in accordance with the internal rules for self-assessment, and an independent audit department reviews the results of the assessment. The allowance is provided based on the result of such assessment.

For loans and claims to bankrupt obligors (obligors that have already experienced formal or legal failure, such as bankruptcy and reorganization) and obligors at risk of bankruptcy (obligors that have not yet suffered business failure but are considered highly likely to fail), the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2013 and 2014, were ¥64 million and ¥138 million, respectively.

##### 2) Reserve for possible claim payments

Reserve for possible claim payments includes an additional estimated amount of possible claims based on past experience due to improvement of notification of claims the Company is currently working on.

#### (4) Accounting treatment for retirement benefits

##### 1) Attribution method for projected retirement benefit obligations

The retirement benefit obligations are determined using the straight-line attribution method to attribute the projected retirement benefit obligations in each period to the end of this fiscal year.

##### 2) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized ratably using the straight-line method over a certain period (14 years), within the average remaining service years of the employees at the date when the actuarial gain or loss was incurred, commencing with the following fiscal year.

##### 3) Application of the simplified method for small companies

The consolidated subsidiary applies the simplified method to calculate its retirement benefit obligations and retirement benefit costs.

#### (5) Calculation method for reserve for price fluctuations

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

#### (6) Hedge accounting

##### 1) Hedge accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10). Fair value

hedges using foreign currency forward contracts are used to hedge against exchange rate fluctuations of certain foreign currency-denominated bonds. Special hedge accounting for interest rate swaps and the deferral hedge are used for cash flow hedges of certain loans.

2) Hedging instruments and hedged items

- (i) Hedging instruments ... foreign currency forward contracts  
Hedged items ... foreign currency-denominated bonds
- (ii) Hedging instruments ... interest rate swaps  
Hedged items ... loans

3) Hedging policies

Foreign currency risk of foreign currency-denominated bonds and interest rate risk of loans are hedged within a certain range.

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing cumulative fluctuations in market quotations or cash flows of hedged items to those of hedging instruments. However, for foreign currency forward contracts and interest rate swaps under special hedge accounting, which demonstrate a high correlation between hedging instruments and hedged items, the assessment of hedge effectiveness is omitted.

(7) Scope of cash and cash equivalents

The scope of "Cash and cash equivalents" in the consolidated statement of cash flows is composed of "Cash and bank deposits" in the consolidated balance sheet.

(8) Other significant policies

1) Policy reserves

Policy reserves are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

- (i) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (the Notification of the Minister of Finance No. 48, 1996).
- (ii) Reserves for other policies are established based on the net level premium method.  
In addition, for 10 years from the fiscal year 2010, additional policy reserves for certain assumed reinsurance from the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization") have been provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. The amounts of the additional provision for policy reserves for the years ended March 31, 2013 and 2014, were ¥171,491 million and ¥175,129 million, respectively.

2) Accounting treatment for consumption taxes

National and local consumption taxes are accounted for using the tax-exclusion method.

3) Consolidated tax payment system

Consolidated tax payment system has been adopted. Japan Post Holdings Co., Ltd. is the parent company of the consolidated tax payment system.

## Changes in accounting policies

The Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) (excluding the provisions of Paragraph 35) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) (excluding the provisions of Paragraph 67) from the year ended March 31, 2014, and the liability for retirement benefits has been changed to be presented as the amount of retirement benefit obligations, net of plan assets. Unrecognized actuarial gain or loss is included in the liability for retirement benefits.

The Company applied the transitional treatment stipulated in Paragraph 37 of ASBJ Statement No. 26, and included the effect of this accounting change in accumulated other comprehensive income as defined retirement benefit plan.

Accordingly, the Company reported a liability of ¥56,627 million for retirement benefits as of March 31, 2014, and accumulated other comprehensive income increased by ¥2,296 million.

## Accounting standards not yet applied

For ASBJ Statement No. 26 and ASBJ Guidance No. 25 (collectively, "retirement benefits standards"), the Company will apply the following in accordance with the policy of Japan Post Holdings Co., Ltd., its parent company.

(1) Summary

The retirement benefit standards have 1) revised accounting treatment of unrecognized gains and losses and unrecognized prior service cost, and improved disclosure items, and 2) revised the calculation method of retirement benefit obligations and service cost.

(2) Effective date

The Company will apply 2) from the fiscal year beginning on April 1, 2014.

(3) Effect of the application of the accounting standards

The beginning balance of retained earnings for the fiscal year beginning on April 1, 2014, will decrease by ¥3,533 million due to the application of the retirement benefit standards.

## Notes to the Consolidated Balance Sheet

1. Carrying amount, fair value, and the risk management policy for policy-reserve-matching bonds are as follows:

- (1) The carrying amount and the fair value for policy-reserve-matching bonds are as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	23,508,816	17,953,667
Fair value	24,927,941	19,052,820

- (2) The risk management policy for policy-reserve-matching bonds is as follows:

The Company categorizes its insurance contracts into the following subgroups by their characteristics in order to manage interest rate risk of assets and liabilities, and matches the duration of the corresponding policy-reserve-matching bonds with the duration of the policy reserves in the respective subgroups within a certain range. The Company also periodically monitors the duration of the policy-reserve-matching bonds and the policy reserves in the subgroups.

- 1) The Postal Life Insurance contracts category
- 2) The Japan Post Insurance contracts (general) category
- 3) The Japan Post Insurance contracts (single premium annuity) category

2. The carrying amount of securities lent under lending agreements is as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	2,815,546	3,380,035

3. Loans do not include any loans to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans.

The respective definitions of the loans are as follows:

Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96, Paragraph 1-3-1 to 5 or 96, Paragraph 1-4 of the Order for Enforcement of the Corporation Tax Act (No. 97 in 1965) on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for other reasons.

Delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms, which include reduction or deferral of interest in order to assist or support these borrowers in the restructuring of their business.

Loans past due for three months or more represent loans whose principal and/or interest payments have been past due for three months or more, excluding loans to bankrupt borrowers and delinquent loans.

Restructured loans represent loans renegotiated at concessionary terms, including reduction or deferral of interest or principal and waiver of the claims in order to assist or support these borrowers in the restructuring of their business, excluding loans to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

4. The amount of unused commitments related to loans is as follows:

(Millions of yen)

As of March 31	2013	2014
Unused commitments related to loans	—	1,250

5. Accumulated depreciation of tangible fixed assets is as follows:

(Millions of yen)

As of March 31	2013	2014
Accumulated depreciation	62,676	63,547

6. Changes in the reserve for policyholders' dividends are as follows:

(Millions of yen)

As of March 31	2013	2014
Balance at the beginning of the year	2,511,441	2,396,947
Policyholders' dividends paid during the year	430,448	420,523
Increase due to interest accrued during the year	9,008	4,627
Decrease due to purchasing additional annuity benefits	481	438
Provision for reserve for policyholders' dividends	307,427	242,146
Balance at the end of the year	2,396,947	2,222,759

7. Assets pledged as collateral are as follows:

(Millions of yen)

As of March 31	2013	2014
Securities	2,815,546	3,380,035

The amount of secured liabilities is as follows:

(Millions of yen)

As of March 31	2013	2014
Payables under securities lending transactions	3,114,558	3,703,176

Note: The amount is included in "Other liabilities" in the consolidated balance sheet.

All of "Securities" above are pledged as collateral for securities lending transactions with cash collateral.

8. The ceded amount of reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act ("Reserve for outstanding claims-ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Reserve for outstanding claims-ceded	—	82

The ceded amount of policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("Policy reserves-ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves-ceded	—	183

9. The fair value of securities borrowed under securities borrowing agreements held at the end of the year that can be sold or pledged as collateral at the Company's discretion is as follows:

(Millions of yen)

As of March 31	2013	2014
Fair value	2,330,656	2,816,810

10. The estimated amount of future contributions to the Life Insurance Policyholders Protection Corporation of Japan as stipulated in Article 259 of the Insurance Business Act is as follows.

The contributions are accounted for as operating expenses in the year when the contributions are made.

(Millions of yen)

As of March 31	2013	2014
Estimated amount of future contributions	14,672	18,834

11. Policy reserves assumed from the Management Organization (excluding contingency reserve) are provided based on the calculation method prescribed by the Company for its premiums and policy reserves in order to exceed the amount calculated for the policy reserves for the Postal Life Insurance designated under the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). Also, the Company provides contingency reserve and a reserve for price fluctuations for the reinsurance contracts assumed.

Policy reserves mentioned above (excluding contingency reserve), contingency reserve and the reserve for price fluctuations are as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves (excluding contingency reserve)	64,325,970	57,879,628
Contingency reserve	2,514,762	2,350,030
Reserve for price fluctuations	480,865	554,723

12. "Other liabilities" in the consolidated balance sheet include "Deposits from the Management Organization". "Deposits from the Management Organization" represents the amount equivalent to the reserve for outstanding claims and provision for loss on compensation for damages (related to litigation or conciliation) of the Management Organization. Such deposits were made upon privatization in accordance with the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance and were not paid by March 31, 2014.

The carrying amount of "Special deposits from the Management Organization" in the consolidated balance sheet is as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	78,877	66,221

## Notes to Consolidated Statement of Income

1. The breakdown of operating expenses is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Sales activity expenses	196,940	190,508
Sales administration expenses	13,647	13,847
General administration expenses	302,668	309,643

2. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of the reserve for outstanding claims is ¥82 million for the year ended March 31, 2014. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves is ¥183 million for the year ended March 31, 2014 (those amounts for the year ended March 31, 2013, are nil).

3. Insurance premiums for reinsurance contracts assumed from the Management Organization included in Insurance premiums and the other are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Insurance premiums	2,685,558	2,155,398

4. Insurance claims for reinsurance contracts assumed from the Management Organization included in Insurance claims are as follows:  
(Millions of yen)

Years ended March 31	2013	2014
Insurance claims	10,165,661	9,477,426

5. Provision for reserve for policyholders' dividends provided on behalf of the Management Organization, which is calculated based on profit or loss from reinsurance contracts assumed under the reinsurance contracts with the Management Organization, is as follows:  
(Millions of yen)

Years ended March 31	2013	2014
Provision for reserve for policyholders' dividends	281,642	222,812

## Notes to the Consolidated Statement of Comprehensive Income

1. Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

Years ended March 31	2013	2014
Net unrealized gains on available-for-sale securities		
Net unrealized gains during the year	117,878	32,105
Reclassification adjustments	24,294	8,502
Before income tax effect	142,172	40,608
Income tax effect	(43,545)	(11,611)
Net unrealized gains on available-for-sale securities	98,627	28,996
Deferred gains (losses) on derivatives under hedge accounting		
Deferred gains (losses) during the year	—	16
Reclassification adjustments	—	—
Before income tax effect	—	16
Income tax effect	—	(4)
Deferred gains (losses) on derivatives under hedge accounting	—	11
Total other comprehensive income	98,627	29,007

## Notes to the Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2013)

1. Class and number of shares issued and treasury stock

(Thousands of shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at the end of the year
Shares issued				
Common stock	20,000	—	—	20,000
Total	20,000	—	—	20,000
Treasury stock				
Common stock	—	—	—	—
Total	—	—	—	—

2. Stock acquisition rights including those owned by the Company  
None

3. Dividends

- (1) Dividends paid

Resolution	Class of shares	Total amount of dividends paid	Dividends per share	Record date	Effective date
Board meeting held on May 15, 2012	Common stock	¥16,933 million	¥846.68	March 31, 2012	May 16, 2012

- (2) Dividends for which the record date falls within the year ended March 31, 2013, and the effective date falls after March 31, 2013

Resolution	Class of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2013	Common stock	¥22,750 million	Retained earnings	¥1,137.51	March 31, 2013	May 15, 2013



(For the year ended March 31, 2014)

1. Class and number of shares issued and treasury stock

(Thousands of shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at the end of the year
Shares issued				
Common stock	20,000	—	—	20,000
Total	20,000	—	—	20,000
Treasury stock				
Common stock	—	—	—	—
Total	—	—	—	—

2. Stock acquisition rights including those owned by the Company

None

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends paid	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2013	Common stock	¥22,750 million	¥1,137.51	March 31, 2013	May 15, 2013

(2) Dividends for which the record date falls within the year ended March 31, 2014, and the effective date falls after March 31, 2014

Resolution	Class of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2014	Common stock	¥16,808 million	Retained earnings	¥840.43	March 31, 2014	May 15, 2014

## Notes to the Consolidated Statement of Cash Flows

1. Reconciliation of cash and cash equivalents at the end of the year to the amounts disclosed in the consolidated balance sheet is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Cash and deposits	726,649	1,670,837
Cash and cash equivalents	726,649	1,670,837

## Leases

As lessee

1. Non-ownership transferable finance leases

(1) Lease assets

Lease assets include the following tangible fixed assets: vehicles

(2) Depreciation method

See Note 4. Significant accounting policies (2) Depreciation methods for significant depreciable assets.

2. Operating leases

Future lease payments related to non-cancelable operating leases are as follows:

(Millions of yen)

As of March 31	2013	2014
Due within one year	957	448
Due after one year	448	—
Total	1,406	448

## Financial Instruments

1. Qualitative information on financial instruments

(1) Investment policies

In order to maintain sound management and ensure the payments of insurance claims and benefits, the Company engages in cash flow matching between assets and liabilities based on the profile of liabilities using interest-bearing assets denominated in yen. The Company manages investments in local governments and corporate bonds denominated in yen for which it can expect higher returns than from government bonds to improve profitability. The Company is also strengthening its risk management.

The Company uses derivatives as hedging instruments to mitigate foreign exchange risk and interest rate risks, limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes.

(2) Nature and risks associated with financial instruments

Financial assets held by the Company consist primarily of securities and loans, which are managed through asset liability management (ALM). Securities are exposed to credit risk of issuers, and price fluctuation risk and interest rate fluctuation risk. Bonds denominated in foreign currencies are also exposed to foreign exchange fluctuation risk. Loans with floating interest rates are exposed to interest rate fluctuation risk.

Derivatives used by the Company consist primarily of foreign exchange forward and interest rate swap contracts. The Company uses those derivatives as primary hedging instruments to mitigate foreign exchange risk and interest rate risk, limits the use of derivatives to hedging transactions

and does not use derivatives for speculation purposes. Accordingly, the associated market risks of those derivatives are mitigated and limited.

(3) Risk management

1) Market risk management

(i) Management of price fluctuation risk

The Company has an investment policy to secure stable asset management by investing in interest-bearing assets denominated in yen, mainly government bonds, and price fluctuation risk associated with investments in securities, classified as other than those held-to-maturity or policy-reserve-matching, is limited. The Risk Management Department assesses and monitors price fluctuation risk using the Value at Risk (VaR) method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee.

(ii) Management of foreign exchange risk

The Company primarily invests in interest-bearing assets denominated in yen, and its exposure to foreign exchange risk associated with investments in foreign currency denominated assets is limited. The Risk Management Department assesses and monitors foreign exchange risk using the VaR method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee. The Company applies hedge accounting by using foreign exchange forward contracts to hedge foreign exchange risk associated with certain foreign currency denominated bonds in order to mitigate the risk.

(iii) Management of interest rate risk

The Company performs asset management through ALM in order to mitigate interest rate risk. The Risk Management Department assesses and monitors interest rate risk using the VaR method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee.

(iv) Derivative transactions

The Company establishes the rule that the Company

limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes. The Company establishes credit limits for counterparties. The Company selects counterparties with high credit quality, taking into account internal credit rating and other information. The Risk Management Department assesses and monitors price fluctuation risk associated with derivative transactions, and periodically reports the results to the Risk Management Committee.

2) Management of credit risk

The Company assigns an internal credit rating to each counterparty or individual transaction and assesses and monitors credit risk using the VaR method under the internal rules for credit risk management. The Company establishes a credit limit for each corporate group or industry in order to avoid concentration of risk into a particular corporate group or industry.

The Risk Management Department assesses and monitors credit risk. The Investment Risk Monitoring Department monitors each counterparty or individual transaction based on internal credit rating and credit limit. The results of those risk management activities are periodically reported to the Risk Management Committee.

(4) Further notes on fair values of financial instruments

The Company determines fair values based on quoted market price and uses valuation techniques to calculate reasonable value when quoted market price is not available. Fair values may vary depending on inputs used for valuation technique employed.

The contract amount disclosed in the note “(Derivative Transactions)” does not represent market risk of derivative transactions.

2. Fair values of financial instruments

The carrying amounts in the consolidated balance sheet, fair values, and the differences between the two are as follows.

The following tables do not include financial instruments whose fair value is extremely difficult to measure (see Note 2).

(As of March 31, 2013)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	726,649	726,649	—
Available-for-sale securities (negotiable certificates of deposit)	366,100	366,100	—
(2) Receivables under securities borrowing transactions	2,331,286	2,331,286	—
(3) Monetary claims bought	427,417	427,417	—
Available-for-sale securities	427,417	427,417	—
(4) Money held in trust (*1)	256,832	256,832	—
(5) 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	—
(6) Loans (*2)	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 the Management Organization	11,978,837	12,998,882	1,020,044
Total assets	88,850,855	94,974,890	6,124,034
Payables under securities lending transactions (*3)	3,114,558	3,114,558	—
Total liabilities	3,114,558	3,114,558	—
Derivative assets and liabilities (*4)	(5,179)	(5,179)	—
Hedge accounting not applied	—	—	—
Hedge accounting applied	(5,179)	(5,179)	—
Total derivative assets and liabilities	(5,179)	(5,179)	—

(\*1) The money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching.

(\*2) The amount of allowance for doubtful accounts is deducted from the carrying amount of loan.

(\*3) The amount is included in "Other liabilities" in the consolidated balance sheet.

(\*4) Derivative assets and liabilities are presented on a net basis. Net derivative liabilities are presented in parentheses.

(As of March 31, 2014)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	1,670,837	1,670,837	—
Available-for-sale securities (negotiable certificates of deposit)	704,300	704,300	—
(2) Receivables under securities borrowing transactions	2,822,188	2,822,188	—
(3) Monetary claims bought	107,448	107,448	—
Available-for-sale securities	107,448	107,448	—
(4) Money held in trust (*1)	581,627	581,627	—
(5) Securities	69,237,991	73,506,909	4,268,917
Held-to-maturity bonds	45,257,324	48,427,090	3,169,765
Policy-reserve-matching bonds	17,953,667	19,052,820	1,099,152
Available-for-sale securities	6,026,999	6,026,999	—
(6) Loans (*2)	11,020,493	11,973,916	953,422
Policy loans	54,271	54,271	—
Industrial and commercial loans	763,206	804,957	41,750
Loans to the Management Organization	10,203,015	11,114,687	911,671
Total assets	85,440,588	90,662,928	5,222,340
Payables under securities lending transactions (*3)	3,703,176	3,703,176	—
Total liabilities	3,703,176	3,703,176	—
Derivative assets and liabilities (*4)	(15,638)	(15,638)	—
Hedge accounting not applied	—	—	—
Hedge accounting applied	(15,638)	(15,638)	—
Total derivative assets and liabilities	(15,638)	(15,638)	—

(\*1) The money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching.

(\*2) The amount of allowance for doubtful accounts is deducted from the carrying amount of loan.

(\*3) The amount is included in "Other liabilities" in the consolidated balance sheet.

(\*4) Derivative assets and liabilities are presented on a net basis. Net derivative liabilities are presented in parentheses.

(Note 1) Fair value measurement methods of financial instruments

• Assets

(1) Cash and deposits

The carrying amount of deposits (including negotiable certificates of deposit) approximates fair value because of their short maturity (less than one year). The carrying amount is deemed as the fair value.

(2) Receivables under securities borrowing transactions

The carrying amount of receivables under securities borrowing transactions approximates fair value because of the short term until settlement (less than one year). The carrying amount is deemed as the fair value.

(3) Monetary claims bought

The fair value of monetary claims bought accounted for as securities as defined in the Accounting Standard for Financial Instruments (ASBJ Statement No. 10) is measured using the same method as described in "(5) Securities."

(4) Money held in trust

The fair value of stocks is based on quoted market price, and the fair value of mutual funds is based on net asset value.

Note for money held in trust by classification is included in "(Money Held in Trust)."

(5) Securities

The value of bonds is primarily based on prices published by industry associations (e.g., Reference Statistical Prices published by the Japan Securities Dealers Association) or prices quoted by financial institutions.

Note for securities by classification is included in "(Securities)."

(6) Loans

The carrying amount of policy loans (including those for Postal Life Insurance contracts included in the loans to the Management Organization) approximates fair

value because of their characteristics (e.g., credit limit is established within the balance of cash surrender value), short-maturity and interest rate conditions. The carrying amount is deemed as the fair value.

The carrying amount of variable rate loans included in industrial and commercial loans approximates the fair value because the future cash flows reflect market interest rate immediately. The carrying amount is deemed as the fair value.

The fair value of fixed-rate loans included in industrial and commercial loans and loans to the Management Organization (excluding policy loans) is based on the price calculated by discounting future cash flows to the present value.

• Liabilities

Payables under securities lending transactions

The carrying amount of payables under securities lending transactions approximates fair value because of the short term until settlement (less than one year). The carrying amount is deemed as the fair value.

• Derivative transactions

See "(Derivative transactions)."

The fair value of interest rate swaps is included as an integral part of loans, which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

(Note 2) Financial instruments whose fair value is extremely difficult to measure are as follows:

(Millions of yen)

As of March 31	2013	2014
Unlisted stock	140,000	140,000

(Note 3) Scheduled redemption of monetary receivables and securities with maturities  
(As of March 31, 2013)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 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
Government and corporate bonds	1,568,567	6,495,860	6,229,055	3,920,100	4,141,688	20,446,710
Government bonds	1,525,400	6,163,900	3,811,800	1,807,400	517,500	19,500,300
Local government bonds	42,867	128,282	1,456,005	1,750,462	2,706,340	683,960
Corporate bonds	300	203,678	961,250	362,238	917,848	262,450
Foreign securities	—	—	—	—	98,000	—
Policy-reserve-matching bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Government and corporate bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Government bonds	3,212,200	3,612,160	6,692,800	1,649,800	2,036,900	4,535,200
Local government bonds	487,104	452,928	26,447	72,266	111,155	65,000
Corporate bonds	229,582	75,726	—	18,406	51,111	25,800
Available-for-sale securities with maturities	1,248,945	1,156,670	1,235,698	618,409	656,088	498,218
Government and corporate bonds	1,248,945	1,142,563	1,099,859	562,500	315,200	449,014
Government bonds	843,600	7,400	23,700	—	—	—
Local government bonds	95,564	325,393	270,833	—	—	—
Corporate bonds	309,781	809,770	805,326	562,500	315,200	449,014
Foreign securities	—	14,107	135,838	55,909	340,888	49,203
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

(As of March 31, 2014)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and deposits with maturities	704,300	—	—	—	—	—
Receivables under securities borrowing transactions	2,822,188	—	—	—	—	—
Monetary claims bought	81,000	—	—	—	—	25,278
Securities	5,158,868	13,016,431	10,964,422	4,600,991	7,342,106	27,378,558
Held-to-maturity bonds	3,614,348	6,028,517	6,155,676	2,353,733	3,782,059	22,847,540
Government and corporate bonds	3,614,348	6,028,517	6,155,676	2,255,733	3,782,059	22,847,540
Government bonds	3,558,100	4,581,900	3,532,400	197,000	659,500	21,574,200
Local government bonds	54,848	741,127	1,833,818	1,827,595	2,310,376	873,590
Corporate bonds	1,400	705,490	789,458	231,138	812,183	399,750
Foreign securities	—	—	—	98,000	—	—
Policy-reserve-matching bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Government and corporate bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Government bonds	775,100	4,640,560	3,535,900	1,492,300	2,484,100	3,962,400
Local government bonds	163,575	189,861	50,394	73,312	205,885	66,500
Corporate bonds	75,726	—	18,831	18,180	42,211	27,800
Available-for-sale securities with maturities	530,119	2,157,491	1,203,621	663,465	827,850	474,318
Government and corporate bonds	530,119	2,142,053	1,028,458	577,101	181,220	442,450
Government bonds	3,700	907,400	20,000	—	—	—
Local government bonds	149,842	353,093	257,888	1,000	—	—
Corporate bonds	376,577	881,560	750,570	576,101	181,220	442,450
Foreign securities	—	15,438	175,162	86,364	646,630	31,867
Loans	1,815,014	1,929,903	1,703,875	1,476,998	1,832,300	2,262,035
Total assets	10,581,372	14,946,334	12,668,298	6,077,989	9,174,407	29,665,872

(Note 4) Scheduled repayment amounts of payables under securities lending transactions

(As of March 31, 2013)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Payables under securities lending transactions	3,114,558	—	—	—	—	—
Total liabilities	3,114,558	—	—	—	—	—

(As of March 31, 2014)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Payables under securities lending transactions	3,703,176	—	—	—	—	—
Total liabilities	3,703,176	—	—	—	—	—



## Securities

### 1. Held-to-maturity bonds (As of March 31, 2013)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	43,175,692	46,814,680	3,638,987
	Government bonds	33,705,976	36,741,696	3,035,720
	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
	Foreign government and corporate bonds	98,000	102,194	4,194
	Others	—	—	—
	Subtotal	43,273,692	46,916,874	3,643,182
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	8,400	8,396	(3)
	Government bonds	—	—	—
	Local government bonds	7,300	7,299	(0)
	Corporate bonds	1,100	1,097	(2)
	Foreign securities	—	—	—
	Foreign government and corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	8,400	8,396	(3)
Total		43,282,092	46,925,271	3,643,179

(As of March 31, 2014)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	44,425,542	47,595,869	3,170,326
	Government bonds	34,001,961	36,656,535	2,654,574
	Local government bonds	7,524,060	7,901,536	377,476
	Corporate bonds	2,899,521	3,037,797	138,276
	Foreign securities	98,000	101,781	3,781
	Foreign government and corporate bonds	98,000	101,781	3,781
	Others	—	—	—
	Subtotal	44,523,542	47,697,650	3,174,107
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	733,781	729,439	(4,342)
	Government bonds	571,260	568,033	(3,226)
	Local government bonds	125,077	124,177	(899)
	Corporate bonds	37,444	37,228	(216)
	Foreign securities	—	—	—
	Foreign government and corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	733,781	729,439	(4,342)
Total		45,257,324	48,427,090	3,169,765

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

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	23,508,816	24,927,941	1,419,124
	Government bonds	21,889,807	23,269,193	1,379,385
	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
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	—	—	—
	Government bonds	—	—	—
	Local government bonds	—	—	—
	Corporate bonds	—	—	—
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	—	—	—
Total		23,508,816	24,927,941	1,419,124

(As of March 31, 2014)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	17,610,495	18,710,949	1,100,453
	Government bonds	16,783,518	17,861,458	1,077,940
	Local government bonds	652,123	670,555	18,431
	Corporate bonds	174,853	178,935	4,081
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	17,610,495	18,710,949	1,100,453
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	343,171	341,870	(1,300)
	Government bonds	233,293	232,257	(1,036)
	Local government bonds	100,614	100,372	(241)
	Corporate bonds	9,263	9,240	(23)
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	343,171	341,870	(1,300)
Total		17,953,667	19,052,820	1,099,152

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

(Millions of yen)

	Type	Cost	Carrying amount	Difference
Securities with fair value exceeding cost	Stocks	—	—	—
	Government and corporate bonds	4,632,899	4,749,884	116,985
	Government bonds	874,810	876,825	2,015
	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
	Foreign government and corporate bonds	545,952	618,003	72,051
	Others	19,100	20,421	1,321
	Subtotal	5,197,951	5,388,309	190,358
Securities with fair value not exceeding cost	Stocks	—	—	—
	Government and corporate bonds	220,562	212,154	(8,408)
	Government bonds	—	—	—
	Local government bonds	30,335	30,312	(22)
	Corporate bonds	190,226	181,841	(8,385)
	Foreign securities	46,592	46,246	(346)
	Foreign government and corporate bonds	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" includes financial instruments accounted for as securities in accordance with the Accounting Standards for Financial Instruments (ASBJ Statement No. 10).

(As of March 31, 2014)

(Millions of yen)

	Type	Cost	Carrying amount	Difference
Securities with fair value exceeding cost	Stocks	—	—	—
	Government and corporate bonds	4,554,372	4,654,469	100,097
	Government bonds	797,272	798,847	1,575
	Local government bonds	707,593	709,938	2,345
	Corporate bonds	3,049,507	3,145,683	96,176
	Foreign securities	775,889	866,505	90,616
	Foreign government and corporate bonds	775,889	866,505	90,616
	Others	21,578	22,759	1,181
	Subtotal	5,351,840	5,543,735	191,894
Securities with fair value not exceeding cost	Stocks	—	—	—
	Government and corporate bonds	373,353	371,066	(2,287)
	Government bonds	134,050	134,033	(17)
	Local government bonds	62,013	61,966	(47)
	Corporate bonds	177,289	175,066	(2,223)
	Foreign securities	141,610	134,958	(6,652)
	Foreign government and corporate bonds	141,610	134,958	(6,652)
	Others	789,000	788,988	(11)
	Subtotal	1,303,964	1,295,013	(8,951)
Total		6,655,804	6,838,748	182,943

Note: "Others" includes financial instruments accounted for as securities in accordance with the Accounting Standards for Financial Instruments (ASBJ Statement No. 10).

4. Policy-reserve-matching bonds sold  
(For the year ended March 31, 2013)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	2,060,482	60,319	—
Government bonds	1,670,332	50,287	—
Local government bonds	261,591	6,809	—
Corporate bonds	128,559	3,223	—
Total	2,060,482	60,319	—

(For the year ended March 31, 2014)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	2,071,972	70,967	—
Government bonds	1,962,621	68,754	—
Local government bonds	109,350	2,212	—
Total	2,071,972	70,967	—

5. Available-for-sale securities sold  
(For the year ended March 31, 2013)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	46,568	25	19,665
Corporate bonds	46,568	25	19,665
Total	46,568	25	19,665

(For the year ended March 31, 2014)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	9,772	0	2,948
Corporate bonds	9,772	0	2,948
Foreign securities	91,125	106	7,256
Total	100,897	107	10,205

## Money held in trust

Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching

(As of March 31, 2013)

(Millions of yen)

	Cost	Carrying amount	Difference	Amount of the excess of carrying amount over cost	Amount of the excess of cost over carrying amount
Specified money held in trust	199,581	242,899	43,317	48,265	4,947
Designated money held in trust	13,933	13,933	—	—	—
Total	213,515	256,832	43,317	48,265	4,947

Note: Impairment losses of ¥3,893 million were recognized.

Impairment loss is recognized for stocks managed as assets of money in trust if the average quoted price for the last month immediately prior to the year-end declines by 30% or more.

(As of March 31, 2014)

(Millions of yen)

	Cost	Carrying amount	Difference	Amount of the excess of carrying amount over cost	Amount of the excess of cost over carrying amount
Specified money held in trust	499,042	581,627	82,585	86,112	3,527
Designated money held in trust	—	—	—	—	—
Total	499,042	581,627	82,585	86,112	3,527

Note: Impairment losses of ¥131 million were recognized.

Impairment loss is recognized for stocks managed as assets of money in trust if the average quoted price for the last month immediately prior to the year-end declines by 30% or more.

## Derivative transactions

Derivatives to which hedge accounting is applied

1. Currency-related derivatives

(As of March 31, 2013)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Notional amount/ contract value	Contract amount with term of more than 1 year	Fair value
Fair value hedge	Foreign exchange forward contracts Sold U.S. Dollars	Foreign bonds	263,203	—	(5,179)

Note: Fair value measurement method:

Measurement is based on the future price quotes as of the end of the year.

(As of March 31, 2014)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Notional amount/ contract value	Contract amount with term of more than 1 year	Fair value
Fair value hedge	Foreign exchange forward contracts Sold U.S. Dollars	Foreign bonds	270,312	—	(6,817)
	Euros		133,944	—	(8,837)
Total			404,257	—	(15,655)

Note: Fair value measurement method:

Measurement is based on the future price quotes as of the end of the year.

## 2. Interest-related derivatives

(As of March 31, 2013)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Contract amount	Contract amount with term of more than 1 year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swaps Receipts fixed, payments floating	Loans	92,980	78,380	(*2)

Notes: (1) Fair value measurement method:

Measurement is determined using the discounted present value technique.

(2) The fair value of interest rate swaps is included as an integral part of loans which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

(As of March 31, 2014)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Contract amount	Contract amount with term of more than 1 year	Fair value
General accounting treatment	Interest rate swaps Receipts fixed, payments floating	Loans	9,950	9,950	16
Special accounting treatment for interest rate swaps	Interest rate swaps Receipts fixed, payments floating	Loans	102,780	85,400	(*2)
Total			—	—	16

Notes: (1) Fair value measurement method:

Measurement is determined using the discounted present value technique.

(2) The fair value of interest rate swaps is included as an integral part of loans which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

## Retirement benefits

(For the year ended March 31, 2013)

### 1. Outline of retirement benefit plans

The Company has an unfunded lump-sum payment retirement plan.

### 2. Breakdown of retirement benefit obligations

(Millions of yen)

① Projected benefit obligations	(54,937)
② Unrecognized actuarial gain or loss	(3,884)
③ Reserve for employees' retirement benefits ( ① + ② )	(58,821)

Note: The simplified method is applied to calculate the retirement benefit obligations of the consolidated subsidiary.

### 3. Breakdown of retirement benefit expenses

(Millions of yen)

① Service cost	3,249
② Interest cost	914
③ Amortization of unrecognized actuarial gain or loss	(240)
④ Retirement benefit expenses ( ① + ② + ③ )	3,923

Note: Retirement benefit expenses of the consolidated subsidiary which applies the simplified method are included in "Service cost".

### 4. Assumptions

- (1) Attribution method of projected retirement benefit obligations  
Straight-line method
- (2) Discount rate  
1.7%
- (3) Amortization period for actuarial gain or loss  
14 years (Amortization commences in the following year using the straight-line method over the years within the average remaining service years of employees)

(For the year ended March 31, 2014)

### 1. Outline of the retirement benefit plans

The Company and its consolidated subsidiary have an unfunded lump-sum payment retirement plan to cover employees' retirement benefits.

The consolidated subsidiary applies the simplified method to calculate liability for retirement benefits and retirement benefit expenses.

### 2. Defined benefit plans

#### (1) Roll forward of retirement benefit obligations

(Millions of yen)

Balance at the beginning of the year	54,937
Service cost	3,289
Interest cost	932
Actuarial gain or loss incurred	251
Retirement benefits paid	(3,146)
Others	363
Balance at the end of the year	56,627

#### (2) Reconciliation between retirement benefit obligations and liability for retirement benefits in the consolidated balance sheet

(Millions of yen)

Retirement benefit obligations of unfunded benefit plans	56,627
Liability for retirement benefits in the consolidated balance sheet	56,627

#### (3) Breakdown of retirement benefit expenses

(Millions of yen)

Service cost	3,289
Interest cost	932
Amortization of unrecognized actuarial gain or loss	(315)
Others	32
Retirement benefit expenses for defined benefit plans	3,938

#### (4) Defined retirement benefit plan

Defined retirement benefit plan before income tax effect as of March 31, 2014, is as follows:

(Millions of yen)

Unrecognized actuarial gain or loss	3,317
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#### (5) Assumptions

Significant actuarial assumption for the calculation of retirement benefit obligations as of March 31, 2014, is as follows:

Discount rate	1.7%
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## Income taxes

### 1. Significant components of deferred tax assets and liabilities

(Millions of yen)

As of March 31	2013	2014
Deferred tax assets		
Policy reserves	375,640	485,089
Reserve for price fluctuations	71,826	106,845
Reserve for outstanding claims	53,247	53,823
Reserve for employees' retirement benefits	18,348	—
Liability for retirement benefits	—	17,464
Unrealized losses on available-for-sale securities	4,200	3,815
Others	16,003	14,313
Subtotal	539,267	681,352
Valuation allowance	(3,008)	(2,996)
Total deferred tax assets	536,258	678,356
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	(73,343)	(84,569)
Others	(700)	(1,254)
Total deferred tax liabilities	(74,044)	(85,823)
Net deferred tax assets	462,214	592,532

### 2. Reconciliation between the statutory tax rate and effective tax rate

As of March 31	2013	2014
Statutory tax rate	33.33%	33.33%
Effect of change in tax rate for current and subsequent years	7.17%	14.42%
Others	0.82%	0.16%
Effective income tax rate	41.32%	47.91%

### 3. Adjustment of deferred tax assets and liabilities due to the change of the statutory tax rate

Following the issuance of the Act for Partial Revision of Income Tax Act on March 31, 2014, the Special Corporate Tax for Reconstruction will be abolished for the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate applicable to the temporary differences which are expected to be reversed in the fiscal year beginning April 1, 2014, decreased from 33.33% in the previous year to 30.78%. As a result of the change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,223 million yen, and income taxes deferred increased by ¥5,257 million yen for the year ended March 31, 2014.

## Segment information

#### • Segment information

For the years ended March 31, 2013 and 2014

The overview of the reporting segment is omitted because the Company on a consolidated basis did not operate any businesses categorized as segments other than its own core life insurance business in Japan.

#### • Other related information

For the years ended March 31, 2013 and 2014

##### 1. Information about products and services

Segment information about products and services is omitted because the Companies' operations consist of only one category of products and services.

##### 2. Information about geographical areas

Information about geographical areas is omitted because more than 90% of the Companies' ordinary income and tangible fixed assets derive from its business in Japan.

### 3. Information about major customers

Information about major customers is omitted because no single customer accounts for 10% or more of the Company's ordinary income.

- Impairment losses of fixed assets by reportable segments

For the years ended March 31, 2013 and 2014

None

- Amortization and remaining balance of goodwill by reportable segments

For the years ended March 31, 2013 and 2014

None

- Gains on negative goodwill by reportable segments

For the years ended March 31, 2013 and 2014

None

## Related-party transactions

### 1. Related-party transactions

Transactions between the Company and related parties

#### (1) Parent company, major corporate shareholders, and others

(For the year ended March 31, 2013)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Holding Company	Owned Direct 100%	Business management Common directors	Payment of business management fee (Note1)	¥2,697 million	Accounts payable	¥248 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the business management of the parent company.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(For the year ended March 31, 2014)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Holding Company	Owned Direct 100%	Business management Common directors	Payment of business management fee (Note1)	¥2,773 million	Accounts payable	¥242 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the business management of the parent company.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

#### (2) Affiliates and others

None

#### (3) Subsidiaries of the parent company and others

(For the year ended March 31, 2013)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000 million	Postal service Postal agency	None	Insurance agency Common director	Payment of commission for insurance agency (Note1)	¥377,378 million	Agency accounts payable	¥36,390 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the service with insurance agency.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(For the year ended March 31, 2014)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000 million	Postal service Postal agency	None	Insurance agency Common director	Payment of commission for insurance agency (Note1)	¥366,248 million	Agency accounts payable	¥35,557 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the service with insurance agency.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(4) Directors, major individual shareholders and others

None

2. The parent company and other significant affiliates

(1) Information about the parent company

Japan Post Holdings Co., Ltd. (Unlisted)

(2) Condensed financial information about significant affiliates

None

## Per share information

(Yen)

As of / Years ended March 31	2013	2014
Net assets per share	73,339.05	76,906.85
Net income per share	4,533.93	3,140.11

Notes: 1. Calculation of "Net assets per share" is based on the following figures:

As of March 31	2013	2014
Total net assets (Millions of yen)	1,466,780	1,538,136
Deductions from total net assets (Millions of yen)	—	—
Net assets attributable to common stocks (Millions of yen)	1,466,780	1,538,136
Number of common stocks used for the calculation of net assets per share (Thousands of shares)	20,000	20,000

2. Calculation of "Net income per share" is based on the following figures:

Years ended March 31	2013	2014
Net income (Millions of yen)	90,678	62,802
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to common shareholders (Millions of yen)	90,678	62,802
Average number of common stocks (Thousands of shares)	20,000	20,000

3. Diluted net income per share is not presented because no potential shares exist.

## Subsequent events

None

## Consolidated Supplemental Schedules

### Schedule of corporate bonds

None

### Schedule of borrowings

(Millions of yen, %)

Type	Balance at the beginning of the year	Balance at the end of the year	Average interest rate	Maturity
Short-term borrowings	—	—	—	—
Long-term borrowings to be repaid within 1 year	—	—	—	—
Lease obligations to be repaid within 1 year	382	403	—	—
Long-term borrowings other than those to be repaid within 1 year	—	—	—	—
Lease obligations other than those to be repaid within 1 year	1,101	1,193	—	April, 2015 to February, 2021
Other interest-bearing borrowings				
Payables under securities lending transactions to be repaid within 1 year	3,114,558	3,703,176	0.11	—
Total	3,116,043	3,704,773	—	—

Notes: (1) "Lease obligations" and "Payables under securities lending transactions" are included in "Other liabilities" in the consolidated balance sheet.

(2) Average interest rate for lease obligations is omitted as lease obligations are calculated using the interest-payable-including-method.

(3) The repayment schedule for lease obligations other than those to be repaid within 1 year during the 5 years following March 31, 2014, is as follows:

(Millions of yen)

	1-2 years	2-3 years	3-4 years	4-5 years
Lease obligations	349	280	243	169

(4) The average interest rate for payables under securities lending transactions is calculated based on the weighted-average interest rate as of the end of the year.

### Schedule of asset retirement obligations

Information is omitted because the amount of asset retirement obligations as of the beginning and ending of the year is less than 1% of total liabilities and net assets.

## Others

(Quarterly results for the year ended March 31, 2014)

(Cumulative period)	First quarter	Second quarter	Third quarter	For the year
Ordinary income (Millions of yen)	2,764,279	5,594,168	8,401,625	11,234,114
Quarterly income before income taxes and minority interests (Millions of yen)	22,858	37,723	74,625	120,571
Quarterly net income (Millions of yen)	12,356	19,247	40,916	62,802
Quarterly net income per share (Yen)	617.84	962.39	2,045.82	3,140.11

Note: Ordinary income is presented instead of sales of companies in general industries.

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income per share (Yen)	617.84	344.55	1,083.43	1,094.30

# 7. Japan Post Insurance Co., Ltd.

## —Non-consolidated Financial Data

The balance sheets as of March 31, 2014 and 2013 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	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)	Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
<b>Assets</b>			<b>Liabilities</b>		
Cash and deposits	724,181	1,663,576	Policy reserves and other reserves	84,746,052	80,799,941
Cash	5,196	4,258	Reserve for outstanding claims	947,123	831,690
Deposits	718,984	1,659,318	Policy reserves	81,401,981	77,745,490
Call loans	203,452	230,025	Reserve for policyholders' dividends	2,396,947	2,222,759
Receivables under securities borrowing transactions	2,331,286	2,822,188	Reinsurance payables	191	1,234
Monetary claims bought	427,417	107,448	Other liabilities	3,662,976	4,077,493
Money held in trust	256,832	581,627	Payables under securities lending transactions	3,114,558	3,703,176
Securities	72,558,181	69,378,975	Income taxes payable	12,840	15,804
Government bonds	56,472,609	52,522,914	Accounts payable	395,091	229,922
Local government bonds	8,698,497	9,173,780	Accrued expenses	14,898	15,626
Corporate bonds	6,483,840	6,441,832	Unearned revenue	5	4
Stocks	984	984	Deposits received	12,700	12,172
Foreign securities	902,249	1,239,464	Deposits received from the Management Organization	78,877	66,221
Loans	12,691,554	11,020,585	Derivatives	6,417	15,805
Policy loans	35,924	54,271	Lease obligations	1,401	1,528
Industrial and commercial loans	676,792	763,298	Asset retirement obligations	15	15
Loans to the Management Organization	11,978,837	10,203,015	Suspense receipt	25,798	16,433
Tangible fixed assets	85,968	89,322	Other liabilities	371	781
Land	40,726	40,726	Reserve for possible claim payments	7,003	1,881
Buildings	33,262	33,287	Reserve for employees' retirement benefits	58,331	59,385
Lease assets	1,335	1,456	Reserve for directors' retirement benefits	164	—
Construction in progress	15	1,648	Reserve under the special law	522,872	614,233
Other tangible fixed assets	10,628	12,204	Reserve for price fluctuations	522,872	614,233
Intangible fixed assets	106,933	126,040	<b>Total liabilities</b>	<b>88,997,593</b>	<b>85,554,169</b>
Software	106,909	126,022	<b>Net assets</b>		
Other intangible fixed assets	24	18	Capital stock	500,000	500,000
Agency accounts receivable	133,911	102,651	Capital surplus	500,044	500,044
Reinsurance receivables	—	234	Legal capital surplus	405,044	405,044
Other assets	482,227	374,320	Other capital surplus	95,000	95,000
Accounts receivable	147,478	172,115	Retained earnings	308,948	349,627
Prepaid expenses	516	814	Legal retained earnings	12,672	17,222
Accrued income	327,778	195,169	Other retained earnings	296,276	332,404
Money on deposit	1,700	2,158	Retained earnings brought forward	296,276	332,404
Derivatives	1,237	166	Total shareholders' equity	1,308,993	1,349,671
Suspense payments	628	787	Net unrealized gains on available-for-sale securities	155,778	184,774
Other assets	2,886	3,108	Deferred gains (losses) on derivatives under hedge accounting	—	11
Deferred tax assets	461,513	592,665	Total of valuation and translation adjustments	155,778	184,785
Allowance for doubtful accounts	(1,095)	(1,036)	<b>Total net assets</b>	<b>1,464,771</b>	<b>1,534,457</b>
<b>Total assets</b>	<b>90,462,364</b>	<b>87,088,626</b>	<b>Total liabilities and net assets</b>	<b>90,462,364</b>	<b>87,088,626</b>

## Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
<b>Ordinary income</b>	<b>11,834,920</b>	<b>11,233,925</b>
<b>Insurance premiums and the other</b>	<b>6,481,772</b>	<b>5,911,643</b>
Insurance premiums	6,481,772	5,911,269
Reinsurance income	—	374
<b>Investment income</b>	<b>1,560,789</b>	<b>1,540,615</b>
Interest, dividends and other income	1,500,194	1,458,190
Interest on deposits	419	465
Interest and dividends on securities	1,188,796	1,180,339
Interest on loans	10,949	12,478
Interest on loans to the Management Organization	295,861	260,797
Other interest and dividends	4,167	4,109
Gains from money held in trust	—	9,736
Gains on sales of securities	60,344	71,074
Gains on redemption of securities	62	54
Foreign exchange gains	—	1,452
Other investment income	188	107
<b>Other ordinary income</b>	<b>3,792,358</b>	<b>3,781,665</b>
Reversal of reserve for outstanding claims	48,611	115,432
Reversal of policy reserves	3,741,858	3,656,490
Reversal of reserve for possible claim payments	—	5,122
Reversal of reserve for directors' retirement benefits	—	164
Other ordinary income	1,888	4,455
<b>Ordinary expenses</b>	<b>11,305,545</b>	<b>10,770,418</b>
<b>Insurance claims and others</b>	<b>10,673,000</b>	<b>10,160,877</b>
Insurance claims	10,189,390	9,511,326
Annuity payments	197,107	256,746
Benefits	26,231	33,941
Surrender benefits	154,965	220,263
Other refunds	105,305	135,968
Reinsurance premiums	—	2,631
<b>Provision for policy reserves and others</b>	<b>9,008</b>	<b>4,627</b>
Provision for interest portion on reserve for policyholders' dividends	9,008	4,627
<b>Investment expenses</b>	<b>29,515</b>	<b>18,122</b>
Interest expenses	3,753	4,963
Losses on money held in trust	4,108	—
Losses on sales of securities	19,665	10,205
Losses on redemption of securities	78	62
Losses on derivative financial instruments	318	2,161
Foreign exchange losses	672	—
Provision for allowance for doubtful accounts	18	8
Other investment expenses	900	721
<b>Operating expenses</b>	<b>512,908</b>	<b>513,046</b>
<b>Other ordinary expenses</b>	<b>81,111</b>	<b>73,744</b>
Taxes	38,068	38,193
Depreciation	34,422	34,217
Provision for reserve for possible claim payments	7,003	—
Provision for reserve for employees' retirement benefits	1,395	608
Provision for reserve for directors' retirement benefits	1	—
Other ordinary expenses	219	725
<b>Ordinary profit</b>	<b>529,375</b>	<b>463,506</b>
<b>Extraordinary gains</b>	<b>127</b>	<b>—</b>
Other extraordinary gains	127	—
<b>Extraordinary losses</b>	<b>67,107</b>	<b>99,999</b>
Losses on disposal of fixed assets	1,958	8,638
Provision for reserve under the special law	64,656	91,360
Provision for reserve for price fluctuations	64,656	91,360
Group reorganization expenses	491	—
<b>Provision for reserve for policyholders' dividends</b>	<b>307,427</b>	<b>242,146</b>
<b>Income before income taxes</b>	<b>154,969</b>	<b>121,361</b>
<b>Income taxes – current</b>	<b>199,231</b>	<b>200,701</b>
<b>Income taxes – deferred</b>	<b>(135,262)</b>	<b>(142,768)</b>
<b>Total income taxes</b>	<b>63,968</b>	<b>57,932</b>
<b>Net income</b>	<b>91,000</b>	<b>63,428</b>



## Statements of Changes in Net Assets

For the year ended March 31, 2013

(Millions of yen)

Item	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the year	500,000	405,044	95,000	9,285	225,596	1,234,926
Changes during the year						
Dividends				3,386	(20,320)	(16,933)
Net income					91,000	91,000
Net changes other than shareholders' equity						
Total changes during the year	—	—	—	3,386	70,680	74,066
Balance at the end of the year	500,000	405,044	95,000	12,672	296,276	1,308,993

Item	Valuation and translation adjustments	
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting
Balance at the beginning of the year	57,151	—
Changes during the year		
Dividends		
Net income		
Net changes other than shareholders' equity	98,627	
Total changes during the year	98,627	—
Balance at the end of the year	155,778	—

For the year ended March 31, 2014

(Millions of yen)

Item	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	
Balance at the beginning of the year	500,000	405,044	95,000	12,672	296,276	1,308,993
Changes during the year						
Dividends				4,550	(27,300)	(22,750)
Net income					63,428	63,428
Net changes other than shareholders' equity						
Total changes during the year	—	—	—	4,550	36,128	40,678
Balance at the end of the year	500,000	405,044	95,000	17,222	332,404	1,349,671

Item	Valuation and translation adjustments	
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting
Balance at the beginning of the year	155,778	—
Changes during the year		
Dividends		
Net income		
Net changes other than shareholders' equity	28,996	11
Total changes during the year	28,996	11
Balance at the end of the year	184,774	11

## Notes to Financial Statements

### Basis of presentation

(1) The accompanying nonconsolidated financial statements of Japan Post Insurance Co., Ltd. (the "Company") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the nonconsolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The nonconsolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) Fractional amounts of less than ¥1 million are rounded down, except for per share information. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

### Significant accounting policies

#### 1. Valuation methods for securities

Securities, including cash and deposits, monetary claims bought which are equivalent to securities, and securities managed as assets of money held in trust, are carried as explained below:

##### (1) Held-to-maturity bonds

Stated at amortized cost (straight-line method), determined by the moving-average 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)

Stated at amortized cost (straight-line method), determined by the moving-average method

##### (3) Stocks of subsidiaries and affiliated companies (stocks issued by subsidiaries as defined in Article 2, Paragraph 12 of the Insurance Business Act and closely related parties (excluding subsidiaries) and affiliated companies as defined in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act)

Stated at cost determined by the moving-average method

##### (4) Available-for-sale securities

###### (i) Available-for-sale securities with fair value

Valued at fair value at the end of the fiscal year (for stocks and stock mutual funds, the average quoted price for the last month immediately prior to the end of the fiscal year), with cost determined by the moving-average method.

###### (ii) Available-for-sale securities whose fair value is extremely difficult to measure

- Government and corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustments

Valued at the amortized cost (straight-line method), determined by the moving-average method

- Others

Valued at cost determined by the moving-average method

Net unrealized gains or losses on available-for-sale securities are presented as a separate component of net assets.

#### 2. Valuation methods of derivative transactions

Derivatives are reported at fair value.

#### 3. Depreciation methods for tangible fixed assets

##### (1) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated using the straight-line method.

Estimated useful lives of major assets are as follows:

###### (i) Buildings, attached improvements and structures

2 to 55 years

###### (ii) Other tangible fixed assets

2 to 20 years

##### (2) Intangible fixed assets (excluding lease assets)

Amortization of software for internal use is calculated using the straight-line method over the estimated useful life (generally 5 years).

##### (3) Lease assets

Depreciation of lease assets with regard to finance leases whose ownership does not transfer to the lessees is computed by the straight-line method assuming zero-salvage value over the lease terms.

#### 4. Allowances and reserves

##### (1) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on the internal rules for self-assessment and internal rules for write-offs and provisions. It is calculated based on the historical credit loss experience and estimated uncollectible amounts for specific loans.

For all loans and claims, the relevant department performs an asset quality assessment in accordance with the internal rules for self-assessment, and an independent audit department reviews the results of the assessment. The allowance is provided based on the result of such assessment.

For loans and claims to bankrupt obligors (obligors that have already experienced formal or legal failure, such as bankruptcy and reorganization) and obligors at risk of bankruptcy (obligors that have not yet suffered business failure but are considered highly likely to fail), the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2013 and 2014, were ¥64 million and ¥138 million, respectively.

##### (2) Reserve for possible claim payments

Reserve for possible claim payments includes an additional estimated amount of possible claims based on past experience due to improvement of notification of claims the Company is currently working on.

##### (3) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits is provided for payments of retirement benefits to employees and is recorded based on the estimated amount of retirement benefit obligations at the end of this fiscal year based on the estimated amount of benefits.

###### (i) Attribution method for projected retirement benefit obligations

The retirement benefit obligations are determined using the straight-line attribution method to attribute the projected retirement benefit obligations in each period to the end of this fiscal year.

###### (ii) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized ratably using the straight-line method over a certain period (14 years), within the average remaining service years of the employees at the date when the actuarial gain or loss was incurred, commencing with the following fiscal year.

#### 5. Calculation method for reserve for price fluctuations

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

#### 6. Hedge accounting

##### (1) Hedge accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10). Fair value hedges using foreign currency forward contracts are used to hedge against exchange rate fluctuations of certain foreign currency-denominated bonds. Special hedge accounting for interest rate swaps and the deferral hedge are used for cash flow hedges of certain loans.

##### (2) Hedging instruments and hedged items

###### (i) Hedging instruments ... foreign currency forward contracts

Hedged items ... foreign currency-denominated bonds

###### (ii) Hedging instruments ... interest rate swaps

Hedged items ... loans

##### (3) Hedging policies

Foreign currency risk of foreign currency-denominated bonds and interest rate risk of loans are hedged within a certain range.

##### (4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing cumulative fluctuations in market quotations or cash flows of hedged items to those of hedging instruments. However, for foreign currency forward contracts

and interest rate swaps under special hedge accounting, which demonstrate a high correlation between hedging instruments and hedged items, the assessment of hedge effectiveness is omitted.

## 7. Other significant policies

### (1) Policy reserves

Policy reserves are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

- (i) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (the Notification of the Minister of Finance No. 48, 1996).
- (ii) Reserves for other policies are established based on the net level premium method.

In addition, for 10 years from the fiscal year 2010, additional policy reserves for certain assumed reinsurance from the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization") have been provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. The amounts of the additional provision for policy reserves for the years ended March 31, 2013 and 2014, were ¥171,491 million and ¥175,129 million, respectively.

### (2) Accounting treatment for retirement benefits

Accounting for actuarial gain or loss in relation to retirement benefits is different from that for the consolidated financial statements.

### (3) Accounting treatment for consumption taxes

National and local consumption taxes are accounted for using the tax-exclusion method.

### (4) Consolidated tax payment system

Consolidated tax payment system has been adopted. Japan Post Holdings Co., Ltd. is the parent company of the consolidated tax payment system.

## Notes to Balance Sheet

## 1. Carrying amount, fair value, and the risk management policy for policy-reserve-matching bonds are as follows:

- (1) The carrying amount and the fair value for policy-reserve-matching bonds are as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	23,508,816	17,953,667
Fair value	24,927,941	19,052,820

- (2) The risk management policy for policy-reserve-matching bonds is as follows:

The Company categorizes its insurance contracts into the following subgroups by their characteristics in order to manage interest rate risk of assets and liabilities, and matches the duration of the corresponding policy-reserve-matching bonds with the duration of the policy reserves in the respective subgroups within a certain range. The Company also periodically monitors the duration of the policy-reserve-matching bonds and the policy reserves in the subgroups.

- 1) The Postal Life Insurance contracts category
- 2) The Japan Post Insurance contracts (general) category
- 3) The Japan Post Insurance contracts (single premium annuity) category

## 2. The carrying amount of securities lent under lending agreements is as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	2,815,546	3,380,035

## 3. Loans do not include any loans to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans. The respective definitions of the loans are as follows:

Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96, Paragraph 1-3-1 to 5 or 96, Paragraph 1-4 of the Order for Enforcement of the Corporation Tax Act (No. 97 in 1965) on which accrued interest income is not recognized ("Non-accrual

loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for other reasons.

Delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms, which include reduction or deferral of interest in order to assist or support these borrowers in the restructuring of their business.

Loans past due for three months or more represent loans whose principal and/or interest payments have been past due for three months or more, excluding loans to bankrupt borrowers and delinquent loans.

Restructured loans represent loans renegotiated at concessionary terms, including reduction or deferral of interest or principal and waiver of the claims in order to assist or support these borrowers in the restructuring of their business, excluding loans to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

## 4. The amount of unused commitments related to loans is as follows:

(Millions of yen)

As of March 31	2013	2014
Unused commitments related to loans	—	1,250

## 5. Accumulated depreciation of tangible fixed assets is as follows:

(Millions of yen)

As of March 31	2013	2014
Accumulated depreciation	62,596	63,476

## 6. The total amounts of receivables from and payables to subsidiaries and affiliates are as follows:

(Millions of yen)

As of March 31	2013	2014
Receivables	341	345
Payables	92,456	121,647

## 7. Changes in the reserve for policyholders' dividends are as follows:

(Millions of yen)

As of March 31	2013	2014
Balance at the beginning of the year	2,511,441	2,396,947
Policyholders' dividends paid during the year	430,448	420,523
Increase due to interest accrued during the year	9,008	4,627
Decrease due to purchasing additional annuity benefits	481	438
Provision for reserve for policyholders' dividends	307,427	242,146
Balance at the end of the year	2,396,947	2,222,759

## 8. Stocks of subsidiaries and affiliates held are as follows:

(Millions of yen)

As of March 31	2013	2014
Stocks of subsidiaries and affiliates	984	984

## 9. Assets pledged as collateral are as follows:

(Millions of yen)

As of March 31	2013	2014
Securities	2,815,546	3,380,035

## The amount of secured liabilities is as follows:

(Millions of yen)

As of March 31	2013	2014
Payables under securities lending transactions	3,114,558	3,703,176

All of "Securities" above are pledged as collateral for securities lending transactions with cash collateral.

10. The ceded amount of reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act ("Reserve for outstanding claims- ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Reserve for outstanding claims- ceded	—	82

The ceded amount of policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("Policy reserves- ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves- ceded	—	183

11. The fair value of securities borrowed under securities borrowing agreements held at the end of the year that can be sold or pledged as collateral at the Company's discretion is as follows:

(Millions of yen)

As of March 31	2013	2014
Fair value	2,330,656	2,816,810

12. The estimated amount of future contributions to the Life Insurance Policyholders Protection Corporation of Japan as stipulated in Article 259 of the Insurance Business Act is as follows.

The contributions are accounted for as operating expenses in the year when the contributions are made.

(Millions of yen)

As of March 31	2013	2014
Estimated amount of future contributions	14,672	18,834

13. Policy reserves assumed from the Management Organization (excluding contingency reserve) are provided based on the calculation method prescribed by the Company for its premiums and policy reserves in order to exceed the amount calculated for the policy reserves for the Postal Life Insurance designated under the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). Also, the Company provides contingency reserve and a reserve for price fluctuations for the reinsurance contracts assumed.

Policy reserves mentioned above (excluding contingency reserve), contingency reserve and the reserve for price fluctuations are as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves (excluding contingency reserve)	64,325,970	57,879,628
Contingency reserve	2,514,762	2,350,030
Reserve for price fluctuations	480,865	554,723

14. "Deposits from the Management Organization" in the nonconsolidated balance sheet represents the amount equivalent to the reserve for outstanding claims and provision for loss on compensation for damages (related to litigation or conciliation) of the Management Organization. Such deposits were made upon privatization in accordance with the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance and were not paid by March 31, 2014.

## Notes to Statement of Income

1. The total income and expenses from transactions with the parent, subsidiaries, affiliates etc. are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Total income	0	0
Total expenses	11,093	10,448

2. The breakdown of gains on sales of securities is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Government bonds and others	60,344	70,968
Foreign securities	—	106

3. The breakdown of losses on sales of securities is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Government bonds and others	19,665	2,948
Foreign securities	—	7,256

4. Gains or losses from money held in trust for the fiscal years ended March 31, 2013 and 2014, includes losses on valuation of securities amounting to ¥3,893 million and ¥131 million, respectively.

5. The amount of provision for reserve for outstanding claims- ceded that is added to the calculation of reversal of the reserve for outstanding claims is ¥82 million for the year ended March 31, 2014. The amount of provision for policy reserves- ceded that is added to the calculation of reversal of policy reserves is ¥183 million for the year ended March 31, 2014 (those amounts for the year ended March 31, 2013, are nil).

6. Insurance premiums for reinsurance contracts assumed from the Management Organization included in Insurance premiums and the other are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Insurance premiums	2,685,558	2,155,398

7. Insurance claims for reinsurance contracts assumed from the Management Organization included in Insurance claims are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Insurance claims	10,165,661	9,477,426

8. Provision for reserve for policyholders' dividends provided on behalf of the Management Organization, which is calculated based on profit or loss from reinsurance contracts assumed under the reinsurance contracts with the Management Organization, is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Provision for reserve for policyholders' dividends	281,642	222,812

## Notes to Statement of Changes in Net Assets

(For the years ended March 31, 2013 and 2014)

Class and number of treasury stock

None

## Leases

As lessee

### 1. Non-ownership transferable finance leases

#### (1) Lease assets

Lease assets include the following tangible fixed assets: vehicles

#### (2) Depreciation method

See Note Significant accounting policies 3. Depreciation methods for tangible fixed assets.

### 2. Operating leases

Future lease payments related to non-cancelable operating leases are as follows:

(Millions of yen)

As of March 31	2013	2014
Due within one year	957	448
Due after one year	448	—
Total	1,406	448

## Securities

The fair value of stocks of subsidiaries and affiliates is not presented because the fair value of these stocks is extremely difficult to measure. The carrying amount of these stocks is as follows:

(Millions of yen)

As of March 31	2013	2014
Stocks of subsidiaries	984	984

## Income taxes

### 1. Significant components of deferred tax assets and liabilities

(Millions of yen)

As of March 31	2013	2014
Deferred tax assets		
Policy reserves	375,640	485,089
Reserve for price fluctuations	71,826	106,845
Reserve for outstanding claims	53,247	53,823
Reserve for employees' retirement benefits	18,166	18,277
Unrealized losses on available-for-sale securities	4,200	3,815
Others	15,479	13,621
Subtotal	538,561	681,474
Valuation allowance	(3,003)	(2,991)
Total deferred tax assets	535,557	678,482
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	(73,343)	(84,569)
Others	(700)	(1,247)
Total deferred tax liabilities	(74,044)	(85,817)
Net deferred tax assets	461,513	592,665

### 2. Reconciliation between the statutory tax rate and effective tax rate

As of March 31	2013	2014
Statutory tax rate	33.33%	33.33%
Effect of change in tax rate for current and subsequent years	7.15%	14.32%
Others	0.80%	0.09%
Effective income tax rate	41.28%	47.74%

### 3. Adjustment of deferred tax assets and liabilities due to the change of the statutory tax rate

Following the issuance of the Act for Partial Revision of Income Tax Act on March 31, 2014, the Special Corporate Tax for Reconstruction will be abolished for the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate applicable to the temporary differences which are expected to be reversed in the fiscal year beginning April 1, 2014, decreased from 33.33% in the previous year to 30.78%. As a result of the change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,216 million yen, and income taxes deferred increased by ¥5,250 million yen for the year ended March 31, 2014.

## Per share information

(Yen)		
As of / Years ended March 31	2013	2014
Net assets per share	73,238.56	76,722.86
Net income per share	4,550.02	3,171.42

Notes: 1. Calculation of "Net assets per share" is based on the following figures:

As of March 31	2013	2014
Total net assets (Millions of yen)	1,464,771	1,534,457
Deductions from total net assets (Millions of yen)	—	—
Net assets attributable to common stocks (Millions of yen)	1,464,771	1,534,457
Number of common stocks used for the calculation of net assets per share (Thousands of shares)	20,000	20,000

2. Calculation of "Net income per share" is based on the following figures:

Years ended March 31	2013	2014
Net income (Millions of yen)	91,000	63,428
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to common shareholders (Millions of yen)	91,000	63,428
Average number of common stocks (Thousands of shares)	20,000	20,000

3. Diluted net income per share is not presented because no potential shares exist.

## Subsequent events

None





# Data Compilation

# Others

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# 1. Service Hours and Points of Contact for Inquiries

## 1

### Service Hours

#### 1. Japan Post (Post Offices)

##### ■ Post Office Service Hours

Days of the week	Mail services	Deposit services	Insurance services
Monday through Friday	9:00 to 17:00 (Some offices are open until 19:00)	9:00 to 16:00 (Some offices are open until 18:00)	9:00 to 16:00 (Some offices are open until 18:00)
Saturday	Closed (Some offices are open from 9:00 to 15:00 or 9:00 to 17:00)	Closed	Closed
Sunday and holidays	Closed (Some offices are open from 9:00 to 12:30)	Closed	Closed

Notes: 1. Hours of certain offices may differ from the above because of their location or other factors.

2. Offices are closed from December 31 through January 3; however, only mail services are available during this period at some offices.

##### ■ POSTAL SERVICE COUNTER

POSTAL SERVICE COUNTER, which is established at certain post office counters, provides access to mail returned because of the absence of the recipient from his/her home and offers services after normal post office hours that include accepting regular mail, Yu-Pack parcel post and certain other items and selling postal stamps,

revenue stamps and certain other items.

Please confirm the location of post offices where POSTAL SERVICE COUNTER is available and service hours via our website ([http://www.post.japanpost.jp/shiten\\_search/index.html](http://www.post.japanpost.jp/shiten_search/index.html)) (Japanese only).

#### 2. Japan Post Bank

##### ■ Service Hours

Days of the week	Service hours
Monday through Friday	9:00 to 16:00 (Some offices are open until 18:00)
Weekends and national holidays	Closed

Notes: 1. Branches are closed from December 31 to January 3.

2. Service hours of some offices may differ from those listed above.

## ■ ATM Service Hours

ATM service hours are set according to location usual operating hours are shown in the table below.

For individual ATM service hours, please refer to "Branches and ATM Information" on the Japan Post Bank website

([http://www.jp-bank.japanpost.jp/access/access\\_index.html](http://www.jp-bank.japanpost.jp/access/access_index.html)) (Japanese only) or "Search Post Offices and ATMs" via the Japan Post Holdings website (<http://map.japanpost.jp/pc/>) (Japanese only). Service hours are also indicated at each ATM.

Days of the week	Japan Post Bank branches	Post offices (Japan Post Bank agents)	Sub-branches (ATMs located at stations and supermarkets, etc.)
Monday through Friday	8:00 to 21:00 (7:00 to 23:30 at some branches)	9:00 to 17:30 (7:00 to 23:00 at some post offices)	9:00 to 21:00 (7:00 to 23:00 at some sub-branches)
Saturday	9:00 to 19:00 (8:00 to 23:30 at some branches)	9:00 to 12:30 (8:00 to 23:00 at some post offices)	9:00 to 17:00 (7:00 to 23:00 at some sub-branches)
Sunday and holidays (Including January 2 and 3)	9:00 to 19:00 (8:00 to 21:00 at some branches)	9:00 to 17:00 (Service at approx. 6,600 post offices; 8:00 to 21:00 at some post offices)	9:00 to 21:00 (7:00 to 21:00 at some sub-branches)

- Notes: 1. The service hours listed above are typical ATM operating hours, but actual hours may differ depending on each ATM.  
 2. Sub-branches (ATMs located at stations and supermarkets, etc.) do not handle coins or ordinary payments.  
 3. The following services are not available via ATMs on (a) Monday through Friday before 7:00 and after 21:00, and (b) before 9:00 and after 17:00 on Saturday, Sunday and holidays: ordinary deposits, TEIGAKU deposits, time deposits, coin withdrawals and fund transfers.  
 4. Transfers (making remittances to other financial institutions) for which applications are accepted after 15:00 from Monday to Friday and/or for those accepted on Saturday, Sunday and holidays (including December 31) will be handled on the following business day. Transfers are not available from January 1 to 3.  
 5. Certain ATM and cash dispenser (CD) alliance services may not be available subject to service hours and the type of service provided by affiliated financial institutions.  
 6. The Japan Post Group is currently conducting trials of 24-hour ATM services at 20 locations nationwide.  
 7. The commission charged by affiliated financial institutions for using their cash card at Japan Post Bank ATMs differs according to the institution. Please inquire to the specific affiliated financial institution. Balance inquiries are available free of charge.

## 3. Japan Post Insurance

Insurance services are available at the insurance counters of post offices.

## 2

### Points of Contact for Inquiries

#### 1. For Information and Advice Related to Japan Post Group

For inquiries please call the following phone number: 0120-23-28-86 (toll free). Follow the Interactive Voice Response (IVR) guide to be connected to the appropriate call center.

Telephone number	Select	Details of inquiries	Name	Business hours
Toll-free phone number: <b>0120-23-28-86</b> (Japanese only)	[*]+[1]	General inquiries and contact regarding postal services	Japan Post Co., Ltd. Customer Service Center	Weekdays: 8:00 to 22:00 Saturdays, Sundays and holidays: 9:00 to 22:00
	[*]+[4]	Inquiries regarding counter services besides postal, deposit and insurance services		Weekdays: 9:00 to 21:00 Saturdays, Sundays and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)
	[*]+[2] ▶ 1	Inquiries and consultation regarding products and services of Japan Post Bank Co., Ltd.	Japan Post Bank Call Center	Weekdays: 8:30 to 21:00 Saturdays, Sundays and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)
	[*]+[2] ▶ 2	Contact at the time of loss and theft of such items as passbook and cards	Japan Post Bank Card Loss Center	Available 24-hours, all year round
	[*]+[3] ▶ 1	Inquiries and consultation regarding products and services of Japan Post Insurance Co., Ltd. and postal life insurance	Japan Post Insurance Call Center	Weekdays: 9:00 to 21:00 Saturdays, Sundays and holidays: 9:00 to 17:00 (Excluding January 1 to January 3)
	[*]+[3] ▶ 2	Notification of loss and theft of Japan Post cards (limited to postal life insurance policies)	Japan Post Insurance Card Loss Center	Weekdays: 8:30 to 21:00 (Excluding Saturdays, Sundays and holidays, and December 31 to January 3)

Customers using mobile phones can make inquiries and receive advice concerning postal services and post offices via the following number.

**0570-046-666**

(Communications charge must be paid by the customer.)

For those who wish to use English, please call the following number.

**0570-046-111**

(Communications charge must be paid by the customer.)

(Calls cannot be made from overseas.)

- Notes: 1. If it is not possible to confirm the identity of the person speaking on the telephone, it may not be possible to give a detailed response to a particular inquiry.  
 2. In order to improve service and manage operations, effective calls to the Customer Service Center are recorded.

## 2. For Information and Advice Related to Japan Post Bank

\* Certain telephone numbers indicated below are only available in Japan.

Unless otherwise noted, telephone numbers are available toll-free using mobile and Personal Handyphone System (PHS) phones. There are certain cases where Internet Protocol (IP) phones and other equipment cannot be used.

[Contact Information for Lost or Stolen Passbooks or Cards]

### ■ Card Loss Center

Contact the following to halt transactions for lost or stolen passbooks (certificates) or cash cards.

[Contact Information for Various Types of Inquiries]

### ■ Japan Post Bank Call Center

Contact the following number for inquiries and consultation regarding products and services.

Service hours	Telephone number
Available 24 hours all year round	<b>0120-794889</b> (Japanese only) Calls from overseas: +81-45-279-6201 (Communication charges required) (Japanese only)

Service hours	Telephone number
Weekdays: 8:30 to 21:00	<b>0120-108420</b> (Japanese only)
Weekends and national holidays: 9:00 to 17:00	

Note: Service is available from 9:00 to 17:00 during the period from December 31 to January 3.

### ■ Investment Trust Call Center (*Toushin Oshiete Call*)

Information regarding investment trusts is also available via the call center and our investment trust website.

Investment trust website:  
<http://www.jp-bank.japanpost.jp/toushin/>  
(Japanese only)

Service hours	Telephone number
9:00 to 18:00	<b>0800-800-4104</b> (Japanese only)

Note: Excluding weekends and national holidays and the period from December 31 to January 3

### ■ Defined Contribution Pension Call Center

Material requests and inquiries regarding enrollment of defined contribution pensions (individual annuities) can be made via the following number.

Service hours	Telephone number
9:00 to 21:00	<b>0120-401034</b> (Japanese only)

Note: Excluding weekends and national holidays and the period from December 31 to January 3

### ■ Japan Post Bank Transfers Inquiry Center

Inquiries regarding transfers between other financial institutions, including branch name, deposit item and account number can be made via the following number.

Service hours	Telephone number
Interactive voice response: Available 24 hours all year round	<b>0120-253811</b> (Japanese only)
Operator response: Weekdays: 8:30 to 21:00 Weekends and national holidays: 9:00 to 17:00 (Service is available from 9:00 to 17:00 during the period from December 31 to January 3.)	

### ■ International Remittance Services Inquiry Desk (English)

For those who wish to make inquiries in English regarding international remittance services, please call the following number during the hours indicated.

Service hours	Telephone number
8:30 to 18:00	<b>0120-085420</b>

Notes: 1. Excluding weekends and national holidays and the period from December 31 to January 3  
2. Calls to this number cannot be made from mobile phones, PHS, IP or certain other types of devices.

### ■ Designated Dispute Resolution Institution

Japan Post Bank has formed a contract with the Japanese Bankers Association as a designated dispute resolution institution. (one company)

Point of contact (Japanese Bankers Association Counseling Office) is shown on the right.

Service hours	Telephone number
9:00 to 17:00	<b>0570-017109</b> or <b>03-5252-3772</b>

Notes: 1. Excluding weekends and national holidays and the period from December 31 to January 3  
2. For details, please visit the Japanese Bankers Association Counseling Office website (<http://www.zenginkyo.or.jp/adr/>).

## 3. For Information and Advice Related to Japan Post Insurance

### ■ Japan Post Insurance Call Center

The Japan Post Insurance Call Center handles inquiries regarding insurance products, premium rates and various types of procedure methods. Please note that in some instances immediate responses cannot be provided depending on the nature of the inquiry.

For responses following the completion of various procedures, information will be provided after the call is forwarded to the service center.

Service hours	Telephone number
Weekdays: 9:00 to 21:00	<b>0120-552-950</b> (Japanese only)
Saturday, Sunday and holidays: 9:00 to 17:00	

Note: Excluding the period from January 1 to January 3

## 3

### Online Inquiries

We can also handle inquiries via the Japan Post Holdings website (<http://www.japanpost.jp/faq/index03.html>).

Please click the button for the link to the relevant company depending on the details of the inquiry.

## 2. Japan Post Group Privacy Policy

### 1

#### Japan Post Group Privacy Policy

The Japan Post Group ("the Group") is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting personal data is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy for protecting personal data, which is generally known as the Group's privacy policy.

##### (1) Compliance with laws and regulations

When handling personal data, the Group complies with all laws and regulations associated with protecting personal data, national government policies and the provisions of the privacy policy ("laws, regulations, etc.," hereafter).

##### (2) Purpose of using personal data

The Group specifies the purpose of using personal data and uses this data solely for achieving this purpose.

The purposes for which Group companies use personal data are listed in the privacy policies on each company's website and where applicable.

##### (3) Acquisition of personal data

The Group acquires personal data using methods that are legal and proper.

##### (4) Security measures for management of personal data

The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal data. In addition, the Group properly supervises employees and outsourcing parties.

##### (5) Provision of personal data to third parties

Except in cases where required by laws, regulations, etc., the Group does not supply personal data to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal data, this sharing is performed only after providing prior notice or public announcements of items required by law.

##### (6) Procedures for requesting disclosure of personal data

The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

##### (7) Points of contact for inquiries

Inquiries and requests regarding disclosure and other uses of personal data can be made to designated points of contact.

##### (8) Continuous improvements

The Group constantly reviews and improves its management and handling methods for the protection of personal data in response to advances in information technology and shifts in social demands.



## 2

## Sharing of Personal Data among Japan Post Group Companies

The Japan Post Group began with the October 2007 privatization of Japan's postal system. Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

#### (1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

#### (2) Scope of parties involved in shared use

Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

Japan Post Holdings Co., Ltd, Japan Post Co., Ltd, Japan Post Bank Co., Ltd, Japan Post Insurance Co., Ltd.

#### (3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

#### (4) Name of party with responsibility for managing personal data Japan Post Holdings Co., Ltd.

#### (5) Other items

- 1) Customer data from pre-privatization postal insurance policy contracts will be used for insurance sales activities only after receiving the prior consent of the applicable customers.
- 2) Prior consent of the applicable customers will be received before using data on savings transactions (private financial information) for insurance sales activities and before using data on transactions (private financial information) involving life insurance policies (including postal insurance) to sell savings products.

### 3. Japan Post Group Conflicts of Interest Management Policy

The Japan Post Group ("the Group") conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following companies in the Japan Post Group ("Group companies") fall within the scope of the Conflicts of Interest Management Policy

- Japan Post Bank Co., Ltd.
- Japan Post Insurance Co., Ltd.
- Japan Post Co., Ltd.

2. The Group will manage conflicts of interest for the transactions stipulated below.

(1) Transactions that may unduly impair the interests of customers among the following transactions:

- Transaction with a customer that has an interest in one of the Group companies based on an agreement
- Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
- Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement

(2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:

- (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
- (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
- (3) Discontinue the target transaction or the secondary transaction with the customer
- (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests

4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.

5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

### 4. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as the Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for

customers to use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. We will establish a basic policy regarding information security for the Japan Post Group and follow this policy for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

# Guide to Websites of the Japan Post Group



<http://www.japanpost.jp/>

**日本郵政**  
HOLDINGS  
JAPAN POST HOLDINGS



<http://www.post.japanpost.jp/>

**日本郵便**  
POST  
JAPAN POST



<http://www.jp-bank.japanpost.jp/>

**ゆうちょ銀行**  
BANK  
JAPAN POST BANK



<http://www.jp-life.japanpost.jp/>

**かんぽ生命**  
INSURANCE  
JAPAN POST INSURANCE



<http://www.japanpost.jp/financial/index02.html>

## Announcement of Financial Results

### Japan Post Group Annual Report 2014 July 2014

Japan Post Holdings Co., Ltd. Corporate Planning Division,  
Public Relations Department

3-2 Kasumigaseki 1-chome, Chiyoda-ku, Tokyo  
100-8798, Japan

URL: <http://www.japanpost.jp/>

