

2011

JAPAN POST GROUP Annual Report
Year ended March 31, 2011



2011 JAPAN POST GROUP Annual Report

CONTENTS

Japan Post Group Overview

- 1. Message from the President 2
- 2. Our Response to the Great East Japan Earthquake 4
- 3. 140 Years of Japan's Modern Postal Service 10
- 4. Japan Post Group Highlights in Fiscal 2011 16
- 5. Japan Post Group Financial Review 20
- 6. The Operations of the Japan Post Group 24

Dedicated to Providing the Public with the Best Possible Services

- 1. Operations of Japan Post Network 28
- 2. Operations of Japan Post Service 38
- 3. Operations of Japan Post Bank 52
- 4. Operations of Japan Post Insurance 62
- 5. Other Businesses 74

Dedicated to Becoming an Even More Trustworthy Group

- 1. Japan Post Group Corporate Governance 78
- 2. Japan Post Group Compliance Framework 80
- 3. Japan Post Group Internal Audit System 82
- 4. Japan Post Group Risk and Crisis Management 84
- 5. Japan Post Group Customer Satisfaction 86
- 6. Japan Post Group CSR 88

Data Compilation Corporate Data

- 1. Japan Post Group Management Philosophy, etc. 100
- 2. Outline of Japan Post Holdings Co., Ltd. 101
- 3. Outline of Japan Post Network Co., Ltd. 108
- 4. Outline of Japan Post Service Co., Ltd. 114
- 5. Outline of Japan Post Bank Co., Ltd. 120
- 6. Outline of Japan Post Insurance Co., Ltd. 125

Data Compilation Financial Data

- 1. Transition of Significant Management Indicators, etc. 130
- 2. Japan Post Group Companies—Consolidated Financial Data 132
- 3. Japan Post Holdings Co., Ltd.—Non-consolidated Financial Data . . . 151
- 4. Japan Post Network Co., Ltd.—Non-consolidated Financial Data . . . 156
- 5. Japan Post Service Co., Ltd.—Non-consolidated Financial Data . . . 161
- 6. Japan Post Bank Co., Ltd.—Non-consolidated Financial Data 166
- 7. Japan Post Insurance Co., Ltd.—Non-consolidated Financial Data 184

Data Compilation Others

- 1. Business Hours and Points of Contact for Inquiries 196
- 2. Japan Post Group Privacy Policy 200
- 3. Japan Post Group Conflicts of Interest Management Policy 202
- 4. Japan Post Group Information Security Declaration 202

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, 2011.

1. Message from the President



I am pleased to have this opportunity to explain the business results of the Japan Post Group to our customers, investors and other stakeholders in this Annual Report for fiscal 2011.

In March 2011, the Great East Japan Earthquake, an epic disaster, caused enormous destruction mainly in the Tohoku region. I would like to express my deepest sympathies to all those persons who suffered damages from the earthquake as well as to their families and other affected people.

The Japan Post Group also was hit hard by the disaster, as numerous employees lost their lives, while damage to our buildings and vehicles was also extensive. Nonetheless, times of crisis such as this are precisely when our services are essential, and all employees on the front lines made their utmost efforts to live up to the expectations of our customers. In the future as well, we will work actively with everyone in local communities to rebuild each area and thus ask for your continued patronage of the Japan Post Group.

We have recently published this Japan Post Group Annual Report for fiscal 2011 and hope that reading this report will serve to deepen your understanding of the Group's business results for the term.

Review of Fiscal 2011

Through our nationwide network of post offices, the Japan Post Group made unrelenting efforts during fiscal 2011 to ensure that customers can use the services of our three businesses with a sense of reassurance. We also began offering several new products and services so that customers can even more conveniently make use of our three core businesses.

As prime examples, in April we began offering Letter Pack

500 and 350 services, which can carry personal letters with the package. This service represents an alternative to EXPACK, which does not allow letters to be enclosed. Additionally, we commenced a euro-denominated international remittance service that enables funds to be sent from overseas financial institutions to Japan Post Bank accounts. We also started charging a lower commission fee, which is the same as the fee charged when transferring money using ATMs, for visually impaired customers making money transfers at the counter.

During fiscal 2011, we completed the integration of the Pelican parcel delivery operations of JP Express Co., Ltd. and started providing a new Yu-Pack service. However, at the time of completion of integration in July, we experienced delays in deliveries that caused inconveniences to our customers. To address this problem, we subsequently established a structure and made efforts to raise the quality of these delivery services. Thanks to these efforts, we were able to achieve top-level quality in deliveries during the year-end busy period. Going forward, we will work to further improve our services and meet the expectations of our customers.

The Japan Post Group companies actively supported the communities devastated by the Great East Japan Earthquake. Despite some initial problems, such as slow response times that resulted from post offices and postal services being operated by two separate companies, we made deliveries to evacuation shelters and surmounted various transportation difficulties to deliver to each home in the stricken areas. Meanwhile, mobile post offices visited evacuation shelters to handle bank deposits on an emergency basis and provide insurance-related consultations. We also furnished free postcards and other items to disaster victims, accepted victims at *Kanpo no Yado* Inns and provided free health consultations through Teishin Hospitals.

Regarding our business results, Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. achieved growth in profits during fiscal 2011. However, on a consolidated basis the Japan Post Group recorded net ordinary income of ¥956.9 billion and net income of ¥418.9 billion, both representing slight decreases. The Japan Post Group is currently facing a harsh business environment. Of particular note, Japan Post Service Co., Ltd. incurred a large net operating loss of ¥103.4 billion, owing to the ongoing downtrend in the volume of postal mail as well as the impact of the earthquake and an increase in one-time expenses for responding to delays in deliveries. Although Japan Post Bank achieved increased profits with net income of ¥316.3 billion, the recent downtrend in deposits persisted. Similarly, while Japan Post Insurance achieved growth in profits and recorded net income of ¥77.2 billion, total assets and the number of policies in force declined. In this manner, each of our businesses is confronting tough circumstances. I believe we must devote our utmost management efforts to overcoming the severe circumstances we are facing.

Issues in Fiscal 2012

In view of our business results in fiscal 2011, the Japan Post Group companies have positioned fiscal 2012 as the first year for going on the counteroffensive to ensure our postal business develops and grows over the medium and long terms. Accordingly, we will place priority on the following three issues.

The first issue is to rebuild the operations of Japan Post Service, which as I mentioned, recorded a large net operating loss in fiscal 2011. Our postal operations boast the longest history among our three businesses and this form of communication has been easily accessible to all as well as closely linked to enhancing people's daily lives. I believe that maintaining and further developing postal operations in the years ahead is the mission of the Japan Post Group. To ensure that customers across Japan can continue to use these services in the future with a sense of reassurance, we are committed to further raising customer convenience throughout our entire postal operations, including mail, Yu-Mail and Yu-Pack, while working to extensively raise productivity.

The second issue is to strengthen the Group's internal management systems. The trust the Group has earned from customers forms the cornerstone of our business operations and will serve as a major force driving the Group's counteroffensive. We will work to assure thoroughgoing compliance and management transparency and further raise operational quality with the aim of becoming a corporate group that customers regard as outstanding in every area.

The third issue is to expand the range of products and services handled by the Group. Having waited for the realization of postal reforms, we would like to begin providing easy-to-use products and services to better respond to the needs of customers. Also, we will undertake new businesses to strengthen the Group's management foundation and achieve further growth and development over the medium term.

In 2011, the Japan Post Group celebrates a noteworthy milestone, as we mark the 140th year since the establishment of postal operations in Japan. The Group plans to directly tackle various issues and work in concert to meet the challenges of executing reforms to ensure our customers can use our post offices across Japan with a sense of reassurance.

The Japan Post Group looks forward to your continued support.

Jiro Saito

President & CEO
Japan Post Holdings Co., Ltd.
July 2011

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.

The following sections describe the response and measures undertaken by each of the five companies in the Japan Post Group to support disaster victims.

The Japan Post Group itself sustained significant damage. Many of our employees were killed or are unaccounted for. Many post offices and related facilities were destroyed by the earthquake and subsequent tsunami. We are now devoting our utmost efforts to realize the earliest possible recovery of our operations.



1. Major Activities Taken by the Japan Post Group in Response to the Earthquake

1. Delivery of Mail and Yu-Pack Parcels

■ Resuming Delivery Service

Branches of Japan Post Service Co., Ltd. located in the devastated areas suffered major damage, with the massive tsunami sweeping up buildings, motorcycles and other facilities necessary for mail delivery.

We borrowed undamaged buildings in the neighboring areas for mail sorting and gathered motorcycles and other delivery vehicles from around the country. As a result of these efforts, we were able to resume our mail delivery service early on, when other means of communication, including telephone and Internet connections, were still not operating. Many of our employees or their families were impacted by the disaster. Their homes were damaged and they came to work from evacuation shelters. What moved them was a strong sense of responsibility, and the will to deliver mail without delay.

We recovered mail from delivery motorcycles as well as mail that was kept at our branches and swept up by the tsunami, and tried to deliver as much mail as possible to their recipients. After the earthquake, we also experienced a serious shortage of gasoline, and we delivered mail on foot or by bicycle in areas where mail is normally delivered by motorcycle.

Because the privatization of Japan Post resulted in separation of its businesses with mail delivery service now undertaken by Japan Post Service, there were cases in which customers made inquiries to post offices for undelivered letters, but Japan Post Network Co., Ltd. did not have the information necessary to trace them.

The separation of postal and banking/insurance services also caused inconvenience, in which Japan Post Service delivery staff could not give advice on banking and insurance matters when asked by disaster victims.

We worked to eliminate these inconveniences by promoting cooperation and collaboration among the Group companies.

■ Delivering Mail to Evacuation Shelters

Immediately after the earthquake, we had difficulty in delivering mail to our customers because many of their homes were destroyed and they moved to evacuation shelters. We worked with local governments and utilized our long-established relationships with regional communities to find out their whereabouts and started delivering mail to evacuation shelters immediately after the earthquake.

In the aftermath of the earthquake and tsunami, when telephone and other communication networks were still disrupted, our mail delivery service played a significant role in confirming the safety of persons affected by the disaster. Some posted mail to the stricken areas and were able to find their families, relatives and friends safe at evacuation shelters.

To accelerate delivery of mail to disaster victims, Japan Post Service handed out customer address confirmation sheets at its post offices, branches and evacuation shelters. If there was a change in address after the earthquake, we asked customers to submit this sheet or relocation form to ensure mail would be delivered to their latest addresses.

As of May 23, 2011, we have delivered mail to a total of 1,103 evacuation shelters, including 293 in Iwate Prefecture, 373 in Miyagi Prefecture, 128 in Fukushima Prefecture and 309 in other regions.



Hand delivering mail to its addressee after checking the recipient's name and address

2. Post Office Counter Services

■ Providing Special Counter Services by Mobile Post Offices

We started operating mobile post offices on March 20. On March 28, a total of 15 mobile post offices commenced services in Iwate Prefecture (Miyako, Ofunato, Rikuzentakata and Kamaishi Cities, and Otsuchi Town and Yamada Town) and in Miyagi Prefecture (Sendai, Ishinomaki, Shiogama, Kesenuma, Natori, Tagajyo and Iwanuma Cities, and Watari Town, Yamamoto Town, Shichigahama Town, Onagawa Town and Minamisanriku Town).

At evacuation shelters and other places, these mobile post offices provided a range of services including 1) handling emergency withdrawals of ordinary deposits (allowing disaster victims who have lost their passbooks or seals to withdraw the maximum amount of ¥200,000/person); 2) accepting relocation

forms; 3) providing postcards to disaster victims free of charge; and 4) dealing with customers seeking insurance-related advice.

There was a delay of about one week before all 15 mobile post offices started providing services on March 28. This was because we had to settle some vehicle insurance matters for those mobile post offices lent from Japan Post Service to Japan Post Network.



Many people visited our mobile post offices.

■ Dispatching Post Office Staff to Evacuation Shelters

In Iwate and Miyagi Prefectures, Japan Post Network dispatched its post office staff to evacuation shelters to provide such services as handling emergency withdrawal of deposits and processing applications for reissue of cash cards as well as requests for reissue of insurance policies and certificates.

At evacuation shelters, we set up a long table in a vacant space and used it as a makeshift counter to provide services to evacuees. These were very difficult conditions, as we had to process everything by hand, but our staff members were eager to help those in need of support.



Many customers visited our makeshift counter for consultations.

3. Support for Earthquake and Tsunami Victims

■ Accepting Disaster Victims at *Kanpo no Yado* Inns

At the request of local governments, our *Kanpo no Yado* inns in Iwaki, Koriyama and other places have been accepting earthquake and tsunami victims (272 persons as of June 6, 2011).

Immediately following the earthquake, we started providing meals to victims at some of our *Kanpo no Yado* inns. *Kanpo no Yado* inns Yokote, for example, invited people staying at nearby evacuation shelters and provided bath and meal services. *Kanpo no Yado* inns Ichinoseki prepared meals outdoors and delivered them to several evacuation shelters by bus.

In addition, *Kanpo no Yado* inns Kamogawa took in all the elderly residents and staff from a care facility located in Fukushima Prefecture. Upon accepting these residents, we installed 120 hospital beds in the inn's large banquet room and guest rooms. Relocating the entire nursing facility served to facilitate their smooth transfer and provide an environment where the elderly residents could feel safe and secure.

For voluntary evacuees, we offered a special accommodation plan at 13 *Kanpo no Yado* inns. Under the plan, an accumulated total of 1,085 persons stayed at these inns during the period from March 11 to May 31, 2011.



Elderly residents and staff arriving by bus on March 18 (*Kanpo no Yado* inns Kamogawa)



The inn's banquet room equipped with hospital beds, hosting elderly refugees (*Kanpo no Yado* inns Kamogawa)

■ Medical Support by Teishin Hospitals

Immediately after the earthquake, about 50 people evacuated their home and took shelter at Sendai Teishin Hospital. On March 12, within a day after the disaster, we set up a free health consultation counter for disaster victims and offered consultation to about 20 patients a day.

To counter shortages in water, daily commodities, medical supplies and medical materials, we gathered these supplies from Teishin Hospitals across the country by utilizing the nationwide network of the Japan Post Group.



Staff members at the free health consultation counter

■ Support via "Yellow Post Box Fund-raising Campaign"

For supporting victims of the Great East Japan Earthquake, employee volunteers of the Japan Post Group organized the Japan Post Fundraising Association to promote the "Yellow Post Box Fund-raising Campaign." Small yellow post boxes were used to solicit donations at the counters of post offices across the country. This charity drive continued from March 22 to May 31, 2011.

On April 22, we announced the first fund allocation of ¥140 million to 74 cities, towns and villages affected by the earthquake. On April 23 and 24, we held the "Yellow Post Box Charity Event" in Tokyo. We invited children living in evacuation shelters located in Tokyo to clay works and other craft workshops.

As of the end of May, the total amount of donations exceeded ¥300 million, and we will make additional fund allocations to affected areas as they become ready for distribution, starting from June.



"Miniature Clay Food Workshop" given by Hitomi Okada, a pop idol and clay works artist



A donation box resembling a yellow post box

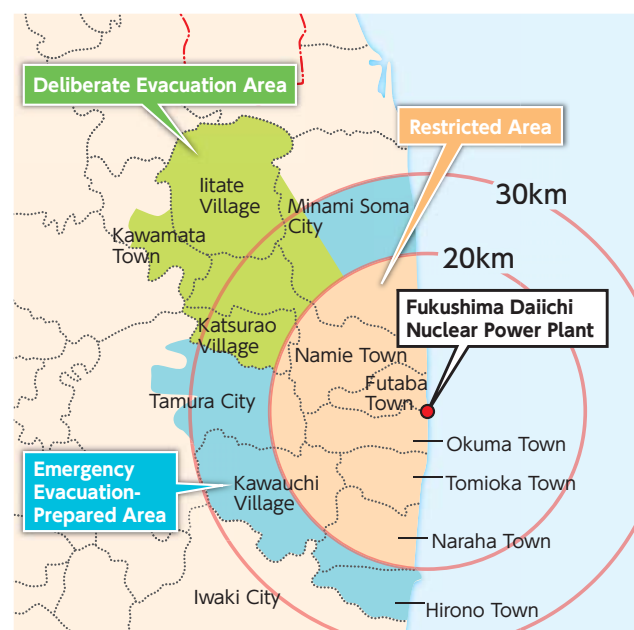
4. Response to the Evacuated Area Related to the Fukushima Daiichi Nuclear Power Plant Accident

Following the Fukushima Daiichi Nuclear Power Plant accident that occurred in the aftermath of the earthquake and the subsequent tsunami, the Japanese government issued instructions to residents within a 20-kilometer zone around the plant to evacuate the area and those living between 20 km and 30 km from the plant to stay in-house. Accordingly, we suspended our postal counter operations and mail collection and delivery services within a 30-kilometer radius. Mail and parcels to this zone were either transferred to other addresses or evacuation shelters as specified by evacuees, or hand delivered at Japan Post Services' branches or collection and delivery centers, which do not usually provide such services.

Within the "stay in-house" area in Minami Soma City, we reopened two post offices on April 4 and started distributing mail and parcels at branches of Japan Post Service on April 5.

On Friday, April 22, the 20-kilometer evacuation area was declared a restricted area by the Japanese government. The government also designated a deliberate evacuation area and an emergency evacuation-prepared area, while lifting its earlier instruction to stay in-house.

■ Post Offices and Postal Facilities in Restricted and Deliberate Evacuation Area



■ Within Restricted Area

Post offices: 18 (including contracted post offices)
Branch: 1
Collection and delivery centers: 5

■ Within Deliberate Evacuation Area

Post offices: 9 (including contracted post offices)
Collection and delivery centers: 5

Following the designation, we reopened post offices and resumed mail collection and delivery services on Monday, April 25, in the emergency evacuation-prepared area and in other areas from which "stay in-house" restrictions were lifted. Two post offices and two collection and delivery centers remain closed in the formerly "stay in-house" areas that have become part of the deliberate evacuation area. In other parts of the deliberate evacuation area, we plan to determine the best way to provide our postal services through discussions with the relevant local authorities.

We are determined to maintain our mail delivery service for evacuees by transferring their mail and parcels to specified addresses, appropriate branches or evacuation shelters.



A checkpoint at the boundary of the restricted area (Naraha Town)

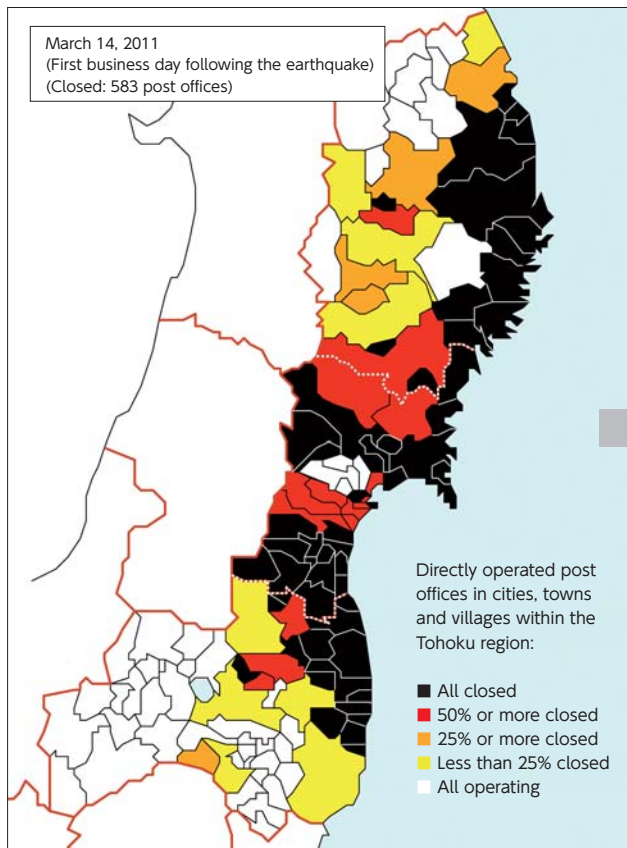


Gathering important documents in a closed post office within the restricted area (Namie Post Office)

2. Steps towards Recovery

On March 14, 2011, which was the first business day after the earthquake, the number of "out-of-service" post offices in the three prefectures in the Tohoku area (Iwate, Miyagi and Fukushima) was 583, approximately half of the 1,103 post offices located within the district. After the earthquake, we started providing special counter services through mobile post offices and via the dispatch of post office staff to evacuation shelters. We also opened post offices for extra hours on Saturdays, Sundays and public holidays. All of these efforts were aimed at making our services available to as many customers as possible.

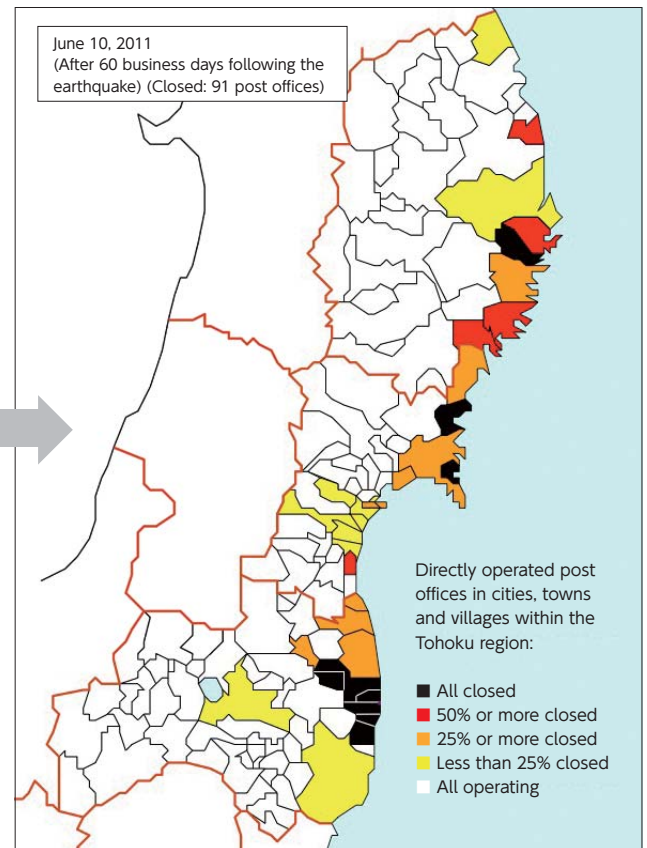
Reopening of Directly Operated Post Offices after the Earthquake (Iwate, Miyagi and Fukushima Prefectures)



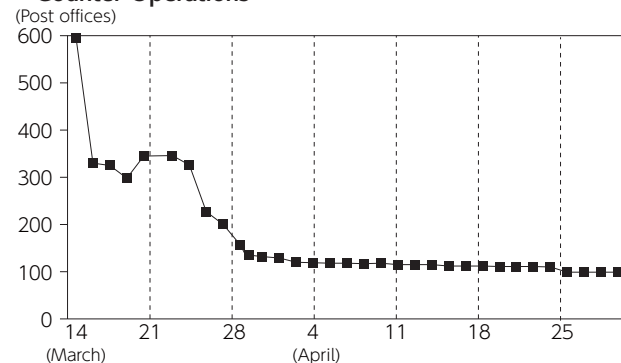
On April 26, we opened a makeshift post office (the Rikuzentakata Post Office) in Rikuzentakata City, Iwate Prefecture, and resumed normal counter operations and ATM services. The Ofunato Post Office and the Kamaishi Post Office, both of which suffered considerable damage, also resumed their counter operations and ATM services on June 10. The number of closed post offices as of June 10, 2011 decreased to 91.

The Japan Post Group will continue to strive for a swift recovery and work to provide sufficient and adequate services to its customers in devastated areas.

Note: The number of post offices mentioned in the above paragraphs only includes directly operated post offices.



Number of Directly Operated Post Offices Suspending Counter Operations



A makeshift office used by the Rikuzentakata Post Office

3. Support Provided by the Japan Post Group to Disaster Victims

Counter Operations

- **Extra counter service hours**
Opened post offices and branches of Japan Post Bank within the Tohoku region for extra hours on Saturdays, Sundays and public holidays to handle emergency deposit withdrawals by disaster victims.
- **Special counter services by mobile post offices**
Provided special counter services through mobile post offices to handle emergency deposit withdrawals, offer postcards free of charge and provide consultations on insurance matters.
- **Counter services via dispatch of staff to evacuation shelters**
Dispatched post office staff to evacuation shelters to handle emergency deposit withdrawals by disaster victims.

Postal Operations

- **Offering postcards free of charge**
Provided postcards free of charge to disaster victims and handled their mail without charging postage.
- **Delivery of mail and Yu-Pack parcels to evacuation shelters**
- **No postal charge on registered mail used to send cash for disaster relief purposes**
Handled registered mail without charging postage when used to send cash for disaster relief to organizations engaged in disaster relief activities.
- **Issuing of donation-added postage stamps and postcards**
Issued 28 million donation-added postcards on June 1 and 70 million donation-added postage stamps on June 21. Donations will be made for the purpose of helping disaster victims.
- **Allocation of New Year's postcard charitable donations**
For a portion of the New Year's postcard charitable donations for fiscal 2011 amounting to ¥100 million, we solicited applicants again and distributed these donations to organizations providing support to disaster victims.

Financial Services

- **Emergency deposit withdrawals and insurance payments**
Provided an emergency deposit withdrawal service (maximum amount of ¥200,000/person) for disaster victims who have lost their passbooks, insurance policies or seals, extending the grace period (the period in which the insurance stays in force when there is a delay in premium payment) to a total of nine months and making emergency insurance payments (as of June 1, 2011).
- **No commission charge on transfer of relief funds**
Handled transfer of relief funds to organizations engaged in disaster relief activities without charging commission fees when transfer was made manually at the post office counter.

Others

- **Accepting disaster victims at *Kanpo no Yado* inns**
Accepted disaster victims at *Kanpo no Yado* inns. Offered other available company houses and accommodation facilities to national and relevant local governments.
- **Medical support by Teishin Hospitals**
Accepted patients from Ishinomaki and Shiogama Cities and provided a free health consultation service for disaster victims at Sendai Teishin Hospital. Transported medical supplies, medical materials and emergency preserved foods for patients from Teishin Hospitals across the country.
- **"Yellow Post Box Fund-raising Campaign"**
Post offices nationwide supported a charity drive organized by employee volunteers from each of the Group companies by soliciting donations at the counter.
- **Monetary donations**
Japan Post Holdings, Japan Post Bank and Japan Post Insurance made monetary donations totaling ¥300 million (¥100 million each) on March 31.

4. Impact of the Disaster on the Japan Post Group

1. Casualties

(As of June 20, 2011 Persons)

		Killed	Missing
Post offices	Directly operated post offices	14	6
	Contracted post offices	7	1
Japan Post Service Co., Ltd.		22	6
Japan Post Holdings Co., Ltd.		3	—
Other Subsidiaries		2 (*)	—
Total		48	13

* Employees of Japan Post Transport Co., Ltd.

2. Damage to Buildings

(Immediately after the earthquake)

Japan Post Network Co., Ltd.

■ Directly operated post offices (Unit: post offices)

Prefecture	No. of post offices	Totally destroyed	Partial / Minor damage	Flooded
Hokkaido	1,215	0	0	2
Aomori	267	0	0	2
Iwate	308	27	2	4
Miyagi	363	24	9	22
Fukushima	432	7	4	1
Ibaraki	465	0	0	1
Chiba	691	0	0	1
Total	3,741	58	15	33

Total number of post offices damaged: 106

■ Contracted post offices

(Unit: post offices)

Prefecture	No. of post offices	Totally destroyed	Partial / Minor damage	Flooded
Iwate	118	13	2	1
Miyagi	89	9	1	2
Fukushima	112	2	0	1
Ibaraki	54	1	0	0
Total	373	25	3	4

Total number of post offices damaged: 32

Damage to ATMs: 131 (only including those installed at post offices)

Japan Post Service Co., Ltd.

(Numbers in parentheses refer to the number of collection and delivery centers, as shown separately.)

(Branches)

Prefecture	No. of branches	Totally destroyed	Partial / Minor damage	Flooded
Iwate	15(75)	2(3)	1(1)	(1)
Miyagi	18(67)	(8)	(1)	3(4)
Fukushima	21(105)	0	(1)	0
Ibaraki	31(53)	0	0	(1)
Chiba	48(48)	0	0	(1)
Total	133(348)	2(11)	1(3)	3(7)

Sorting machines damaged: 3 / Vehicles damaged: 470*

(Breakdown) Two-wheeled: 325 / Four-wheeled: 145

* Survey is still ongoing, and figures may vary.

Japan Post Holdings Co., Ltd.

Kanpo no Yado Inns

■ Inns closed due to damage to buildings

(Prefecture)

Iwate: 1 (Ichinoseki)	Ibaraki: 2 (Oarai and Itako)
Akita: 1 (Yokote)	Tochigi: 1 (Tochigi Kitsuregawa Onsen)
Miyagi: 1 (Matsushima)	Chiba: 1 (Asahi)
Yamagata: 1 (Sakata)	
Fukushima: 2 (Koriyama and Iwaki)	Total: 10

Facilities owned by Japan Post Bank and Japan Post Insurance also sustained partial or minor damage.

3. 140 Years of Japan's Modern Postal Service

Japan's modern postal service was founded in 1871 and celebrates its 140th anniversary in 2011. Since its founding, the postal service has been offering various products and services through post offices, remaining close to people's lives in each period.

The following sections provide a brief overview of the progress of Japan's modern postal service over the course of 140 years.

1. Founding of Modern Postal Service and Hisoka Maejima



A portrait of Hisoka Maejima on a postage stamp

Portraits of Hisoka Maejima have been used on numerous stamps, appearing first on the commemorative postage stamp issued in 1921. This is the current one-yen ordinary stamp, redesigned in 2010.

Japan's modern postal service was founded on March 1 (or April 20 in the Gregorian calendar) in 1871 based on a proposal made by Hisoka Maejima, a government official working for the newly inaugurated Meiji government. Born in present-day Joetsu City, Niigata Prefecture, he came to Edo (now Tokyo) to receive the latest education. His encounter with the black ships of Commodore Perry during his stay in Edo turned his interest toward national defense and

marine transportation, and he consequently learned ship handling and navigation. At that time, sending information to a remote location relied on private *hikyaku* messengers. This *hikyaku* runner service took days to deliver messages, was expensive with fees determined by negotiation between clients and runners, and was not always available in rural areas. Maejima himself felt these inconveniences when he exchanged letters with his home town. After becoming a deputy director of the government office responsible for transportation and communications, he made a proposal on the establishment of an easily accessible postal service that is universally and equally available to everyone, allowing people to send letters at the lowest possible cost and have their letters delivered quickly using a relay system. To improve the accessibility of the service, he devised a system in which people buy postage stamps in advance, put them on letters and drop letters in letter collection boxes, now called post boxes.

Despite the Meiji government's tight budget, a nationwide postal service network (excluding a part of Hokkaido) was set up almost within a year from the founding of the postal service. This was the result of dedicated efforts by mail handling agents in each region, who turned their homes into mail handling offices and worked for free, although they were treated as government officials. Most of them were former officials of inn towns along major roads, owners of official-use accommodation facilities in these towns and village mayors. The number of government mail offices and mail handling offices (both later renamed post offices), which was only 65 at the beginning, rapidly increased to over 1,100 by the end of the next year.

Immediately after making his proposal, Maejima visited the U.K. on the order of the Meiji government. Upon returning, he applied for and assumed the position of director of the said government office and established a nationwide flat-rate system on April 1, 1873 based on the findings during his trip to the U.K.



Early postage stamps [from Postal Museum collection]

Japan's first postage stamps were issued when the postal service was founded in 1871. Stamps shown here are called *ryu-mon* stamps because they bear a *ryu* (dragon) pattern and have a denomination value in *mon* (a unit of money used during the Edo era).

In addition to the postal service, postal money transfer service and postal savings service (the predecessors of the remittance and savings services now undertaken by Japan Post Bank) were established on January 2, 1875 and May 2, 1875, respectively, again following Maejima's proposals. He also proposed the launch of postal life insurance service (the predecessor of the life insurance service now undertaken by Japan Post Insurance) at around the same time, but had to wait until October 1, 1916 to see the actual start of the service.

As described above, Hisoka Maejima built up the foundation of the current postal service in Japan. He also played a significant role in other fields ranging from marine transportation, newspaper, telephone and railway to education, including efforts to refine the use of *kanji* characters.



Tokyo Post Office Lobby from the *Mail Handling Picture Book* by Shinsai Shibata (1884) [from Postal Museum collection]

2. Establishment of Postal Service

The history of modern postal service is also the history of modern transportation service. In 1872, the year following the founding of the postal service, transportation of mail by horse-drawn wagons began under the name *yubin basha*. Later in the same year, transportation of mail by rail was initiated as a railway line began operating on a trial basis between Shinagawa and Yokohama. The speed of mail delivery increased significantly as a result of the continued expansion of the railway network throughout the country and the launch of on-board mail sorting for relay in 1892. Automobiles and aircraft were used to transport mail for the first time in 1908 and 1919, respectively.



Mail Wagon and Hand Cart in the Snow from the *Mail Handling Picture Book* by Shinsai Shibata (1884) [from Postal Museum collection]
A flag with a red circle and a horizontal line is attached to the wagon.



Mail Wagons, Tokyo Post and Telegraph Office from the *Mail Operations Picture Book* by Beisen Kubota (1893) [from Postal Museum collection]
A flag bearing the same $\bar{\tau}$ mark as used now is attached to the wagon.



Loading and unloading of mail bags by a loading machine (1907) [from Postal Museum collection]

A machine developed to load/unload mail bags onto/from railway mail cars attached to express trains at way stations. The loading/unloading of large mail bags were unsafe and prone to failing because of frequent machine troubles and operator errors. Consequently, the use of this machine was discontinued in 1939.

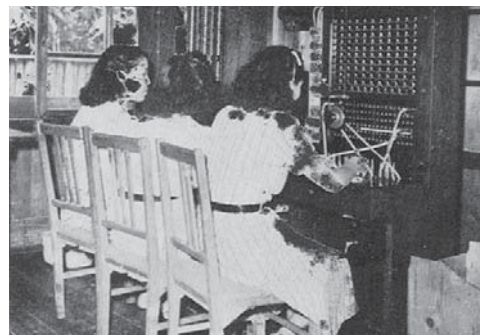
From the very beginning, a flag with a red circle and a horizontal line was used as a symbol of the postal service. In 1887, it was replaced by the $\bar{\tau}$ mark, a symbol of the Ministry of Communications. This mark is still used to represent postal service and post offices and is a brand logo of the Japan Post Group. Some say this mark has taken its shape from the first *katakana* letter, $\bar{\tau}$, of the ministry's name.

By the middle of the Meiji era, the postal service became prevalent among Japanese citizens, and the number of postcards sent for New Year's greeting purposes was showing a steady increase every year. In response, post offices launched a special New Year's postcards delivery service in 1899, in which New Year's postcards were collected from December 20 until 30 and delivered on the first day of the next year, with a postmark showing the date January 1 stamped on each postcard.

The first type of post box introduced in the year following the founding of the postal service was painted black. In 1901, red and round column post boxes were introduced, and they became a prototype of the ones currently in use. There were also concrete or ceramic post boxes used during the Second World War, but the color always remained red.

In the latter half of the Meiji era, the number of post offices offering telegraph and telephone switching services increased in rural areas. This resulted in a rapid spread of the use of telegrams and telephones across the country. These telegraph and telephone switching services at post offices continued for a long time after the Second World War. The latter service continued until a nationwide automatic telephone switching network was established in 1979.

In 1934, the operation of the postal service was removed from the government's general account and placed under one of its special accounts. Since then, the postal service has been operating on a stand-alone basis without getting financial support from the general account (i.e., tax money), except when commodity prices skyrocketed during the post-war period.



Telephone switching service at a post office (1940, Miyakejima Post Office) [from Postal Museum collection]

A photograph showing the early telephone switching operation at a post office. Many of the post offices across the country provided telegraph and telephone switching services on consignment from Nippon Telegraph and Telephone Public Corporation during the post-war period.

3. Recovery from Disaster, War-Damage Reconstruction and Postal Service

Post offices and facilities used for postal operations sustained considerable damage from the Great Kanto Earthquake that occurred in 1923 and the resulting fire that spread across the Kanto region. They were again badly damaged during the Second World War by air raids over major cities and the land battle in Okinawa. At both occasions, a great number of postal service employees and their families were killed or reported missing, becoming disaster/war victims themselves.

Under these circumstances, post office staff dedicated themselves to restoring normal postal operations, and the postal service became an important part of the infrastructure required for recovery and reconstruction during the post-disaster and post-war periods.

Immediately after the Great Kanto Earthquake, post offices quickly started offering emergency postal services similar to those provided today, such as deployment of mobile post offices using bicycles and handling of emergency withdrawals and insurance payments for people who lost their passbooks or insurance policies.

Following the Great Hanshin Awaji Earthquake in 1995 and the Niigata Chuetsu Earthquake in 2004, post offices in these damaged areas undertook similar activities to support disaster victims. These included checking the whereabouts of evacuees and delivering mail to evacuation shelters, charging no fees on registered mail or money transfers when used to send disaster relief funds and offering postal counter services via mobile post offices.



Delivery of mail in areas damaged by the Great Kanto Earthquake [from Postal Museum collection]

A photograph showing delivery of mail after the Great Kanto Earthquake. Post office staff tried to locate recipients by visiting each temporary shelter built in burnt-out areas and delivered mail to them.



Delivery of mail after the Great Hanshin Awaji Earthquake

Mail carriers leaving the Nagata Post Office (in Nagata-ku, Kobe City) to deliver mail in disaster-stricken areas after the earthquake on January 23, 1995.



Emergency postal services after the Great Hanshin Awaji Earthquake

A photograph showing emergency postal services provided at the Nagata Post Office.

History of Post Boxes



Letter Collection Box, 1871

The first type of post box introduced in urban areas upon the founding of the postal service. Said to be used in the Kansai region.



Black Pillar Box (Replica), 1872

The word *yubin bako* (post box) is written on its front in white lacquer. There is a humorous episode that some gentlemen from rural areas misread the word and mistook it for a public toilet.



Tawaraya-Type Post Box, 1901

An iron post box designed by Takashichi Tawaraya. The first post box to be painted red, with its shape resembling the round column post box currently in use (Post Box No. 1 – Round Type).



Rotary Disk Post Box, 1908

The first officially-designated prototype post box made of iron and painted red. Rotating the round disk attached to its front after inserting a letter from the slot drops it downward.

4. Development of Postal Service

During the end of the Meiji era, mail carriers began to use bicycles to collect and deliver mail. Motor scooters were first deployed to post offices in 1948. Later, red motorcycles called *yubin bike* became the primary means of delivering mail, while red four-wheeled mini vehicles were also used to collect and deliver small parcels (now Yu-Pack parcels).

Also in 1948, post offices resumed the special delivery service of New Year's postcards, which was suspended in 1940, the year before the Second World War started. They issued their first New Year's lottery postcards in December of the next year (1949). For that year, the special prize was high-grade sewing machines, and the first prize was pure wool clothing materials. At that time, clothes were still a controlled item requiring rationing coupons.



First issuance of New Year's lottery postcards [from Postal Museum collection]

A poster announcing the issuing of the country's first New Year's lottery postcards. Each postcard had a lottery number, and prize winners were determined by a drawing. Some were donation-added postcards. It was a truly unique, epoch-making initiative, bringing fun and serving to promote social welfare at the same time.

Changes in New Year's Postcards Lottery Prizes

	1950	1957	1967	1987	2011
Special prize	High-grade sewing machines	Electric washing machines			
1st prize	Pure wool clothing materials	Bicycles	Portable TVs	Hi-Fi video tape recorders	40-inch hi-vision LCD TVs / Overseas/domestic travel packages of customer's choice / Office supplies sets of customer's choice / Laptop PCs and others / Electric bicycles
2nd prize	Baseball gloves for schoolchildren	Vinyton blankets (double-sized)	10-transistor radios	Electromagnetic cookers	Home-use video game machines / Digital cameras and others / Humidifiers/air cleaners / Dinner coupons and others / Coffee machines
3rd prize	Umbrellas for schoolchildren	Clothes irons	Bedding sheets	Western tableware sets	Regional brand food and specialty of customer's choice
4th prize	Postcard boxes	Facial soaps	Envelope sets	Letter paper sets	Sheets of New Year's postage stamps
5th prize	Letter paper and envelope sets	Sheets of New Year's postage stamps	Sheets of New Year's postage stamps	Sheets of New Year's postage stamps	
6th prize	Sheets of New Year's postage stamps				

In 1968, a three- or five-digit postal code system was introduced. The system allowed sorting machines to automatically read postal codes and sort mail and parcels by delivery post office, thereby increasing the speed of mail delivery service.



Postal code book [from Postal Museum collection]

Distributed to households and offices throughout the country for customers' convenience. The photograph shows the 1975 edition.



Automation of postal service operations [from Postal Museum collection]

The introduction of the postal code system allowed postal code reading/sorting machines to automatically sort letters and postcards by postal code.



Post Box No. 1 - Round Type, 1949
Put into practical use as a new iron post box in the post-war period, and is still in use. Its circular face is considered to take its shape from the rotary disk post box.



Post Box No. 3, 1951
Designed to respond to increasing mail volume following the progress in the war-damage reconstruction. A rectangular steel-plate post box with increased capacity.



Post Box No. 7, 1962
A post box developed for more efficient mail sorting and speedy delivery. People drop letters by destination in either of these two slots.



Post Box No. 13, 1996
A modern post box developed in 1996. Has larger slots for easy dropping of large envelopes. Also painted red, but in a brighter tone.

Note: Photos are from the Postal Museum collection.

During the mid-1960s through the mid-1980s, the expansion of the expressway network and improved vehicle performance triggered a gradual shift of railway cargo transport to road transport. In 1971, upon the 100th anniversary of the postal service, the first long-distance land mail transportation service was launched between Tokyo and Osaka, and the primary mode of transport used in the national mail transportation system switched from railways to motor vehicles in February 1984. This also resulted in discontinuation of the on-board mail sorting service. Railway transport of mail (excluding rail container transportation of bulk mail) was discontinued by the end of September 1986.



Suyu-15 type railway mail car (1978) [from Postal Museum collection]



Postal staff sorting mail onboard the railway mail car (1975) [from Postal Museum collection]

Mail bags, which had been used to transport mail for a long time, were replaced by roll pallets and roll pallet cases throughout the country in 1990. The replacement served to prevent accidental damage to mail during handling and improve the efficiency of work within post offices.



Mail bags piling up high in a post office (1968, former Tokyo Northern Parcel Collection Center) [from Postal Museum collection]



Loading and unloading of roll pallets (2011, Shiba Branch, Japan Post Service Co., Ltd.)

Letters and postcards are placed in roll pallet cases and then loaded onto aluminum roll pallets for transportation, while Yu-Pack parcels are directly loaded onto roll pallets.

A seven-digit postal code system was introduced in 1998. This enabled sorting machines to automatically arrange letters in the order of delivery, further speeding up mail delivery.

For the last 140 years, our mail and Yu-Pack services have been well used by a large number of customers and have become an essential part of their lives and economic and social activities. Despite the intensifying competition with other communications means and parcel delivery companies, the number of mail/parcels handled per year has shown a drastic increase from 10 million in 1873, the year following the completion of the nationwide postal network, to around 20 billion today. The number of post offices also increased from about 1,100 to 24,000 during the same period, and they offer communication, logistics and financial services closely linked to each community. The Japan Post Group will continue to provide useful and convenient services to its customers and to economic and social activities of the country through its truly nationwide network of post offices which are close to its customers.

(Reference) History of Postal Products and Services

○ Japan Post Group ● Japan Post Network ● Japan Post Service ● Japan Post Bank (remittance and postal deposits business before privatization)
 ● Japan Post Insurance (postal life insurance business before privatization)

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

Year	Major Event
1975	● Express mail service (EMS) launched
1977	● Online postal life insurance service launched
1978	● Online postal savings service launched
1980	● Cash dispensers (CDs) for postal savings introduced
1981	● Automatic teller machines (ATMs) for postal savings introduced ● Trial service for electronic postal mail launched
1983	● <i>Furusato</i> parcel service launched
1986	● Automatic insurance premiums transfer service launched
1988	● Sales of Japanese government bonds begun
1989	● Issuance of regional stamps (later renamed <i>Furusato</i> stamps) and New Year's lottery stamps begun ● New general passbook service launched
1991	● Issuance of <i>Furusato</i> picture postcards and donation-added New Year's lottery stamps begun ● Foreign exchange service launched
1998	● Seven-digit postal code system introduced
1999	● ATM/CD alliance service with private-sector financial institutions launched ● <i>Minna no Taiso</i> ("Exercise for Everyone") program developed ● Sales of lotteries begun
2000	● Mutual remittance services between post offices and private-sector financial institutions begun
2001	○ Postal Service Agency established
2002	● Defined contribution pensions (individual annuities) service begun
2003	○ Japan Post established ● EXPACK500 standard-size parcel service launched
2005	● Sales of investment trusts begun
2007	○ Japan Post Group established ● Carbon offset New Year's postcards added to the lineup of 2008 New Year's postcards
2008	● Issuance of JP BANK CARD begun ● Intermediary service for individual loans launched ● Agent sales of individual annuities begun ● A new hospitalization rider, <i>Sono hi kara</i> , launched ● Post Office Referrals comprehensive lifestyle referral services launched ● Sales of third-sector insurance begun ● Sales of life insurance for corporate clients (for management-level personnel) begun ● Online connection to the Zengin Data Telecommunication System (Zengin System) established
2010	● Letter Pack service launched

4. Japan Post Group Highlights in Fiscal 2011

2010 April May June



Launched Letter Pack services. (4.1)



Exhibition at 2010 Shanghai Expo (5.1 to 10.31)



Started sales of Kamo-Mail. (6.1)



Original "Penguin" Goods Giveaway Campaign (4.1 to 5.31)



"Flowers" promotional campaign (5.10 to 6.30)



Supported the 2010 FIFA (International Federation of Association Football) World Cup in South Africa. (6.1 to 7.11)



Sold Pocari Sweat Natsu Gokoro Letter. (6.15 to 8.31)

- 4.1 ●
Launched Letter Pack services.
Launched Letter Pack services, which can carry personal letters that were prohibited in our previous EXPACK500 service. [Go to P.40](#)
- 4.1 ●●
Reinforced verification of relocation forms.
Reinforced our ID/address check process to counter fraud cases involving fake relocation forms being used to intercept mail and parcels. [Go to P.40](#)
- 4.1 ●
Started an automatic transfer service.
Started an automatic transfer service to make periodic money transfers to other financial institutions' accounts.
- 4.1 to 3.31 ●●
Yucho Arigatou Campaign
Held a Yucho Arigatou Campaign to show our appreciation to customers for their patronage.
- 4.1 to 5.31 ●●
Original "Penguin" Goods Giveaway Campaign
Ran a campaign to celebrate the first anniversary of Yucho IC Cash Card Suica, a combined ATM/Suica card.
- 4.23 to 4.25 ●
2010 All-Japan Stamp Exhibition
Held the 2010 All-Japan Stamp Exhibition to show the value of letters and the joy of the collection and study of stamps to a wide range of audiences.

- 5.1 to 10.31 ●
Exhibition at 2010 Shanghai Expo
The Japan Post Group operated a hands-on theater in the Japan Industry Pavilion under the theme of "Mediator of Communication," which combined animation films, illumination works, sculptures and information. The Group was also commissioned to design and construct the pavilion, provide international logistics services for the event and orchestrate various stage performances.
- 5.10 to 6.30 ●●
"Flowers" promotional campaign
Ran a "Flowers" promotional campaign, a tie-up with the movie *Flowers*. It was the first movie tie-up project for Japan Post Insurance. [Go to P.65](#)
- 5.10 ●
Expanded the number of branches handling mortgage loans.
Expanded the number of branches handling mortgage and other loans by 32 to 82 branches across the country.
- 5.20 ●
Finalized distribution of New Year's postcard charitable donations.
Allotted ¥400.46 million raised from New Year's postcard donations to 236 organizations and ¥156.5 million raised from carbon offset postcards donations to 19 organizations. [Go to P.91,96](#)
- 5.28 ●●
Announced an outline of JP Tower (tentative name) construction plan.
Announced an outline of the plan to construct JP Tower (tentative name; 38 stories above ground and 4 below; construction scheduled to be completed in 2012) on the site formerly used by the Tokyo Central Post Office.

- 6.1 ●●
Started sales of Kamo-Mail.
Started sales of Kamo-Mail summer 2010 greeting postcards available in five types: one plain, three illustrated and one with donations added.
- 6.1 to 7.11 ●
Supported the 2010 FIFA World Cup in South Africa.
Supported the 2010 FIFA World Cup in South Africa under a sublicensing agreement with Visa in the banking category. Japan Post Bank will also support the 2014 FIFA World Cup in Brazil.
- 6.15 to 8.31 ●
Sold Pocari Sweat Natsu Gokoro Letter.
Japan Post Network and Otsuka Pharmaceutical Co., Ltd. jointly conducted sales of *Natsu Gokoro* Letter, a package containing powder of the sports drink Pocari Sweat, which can be sent by mail with a message, at about 7,000 post offices around the country. [Go to P.31](#)
- 6.18 ●
Lowered designated fees on ATM/CD alliance services.
Lowered designated service fees charged when putting or withdrawing money to/from ordinary deposits (including automatic loans) on ATMs/CDs of partner financial institutions.
- 6.18 to 7.25 ●
Held a special exhibition entitled "Railways and Postal Service."
Held a special exhibition entitled "Railways and Postal Service" at the Communications Museum to show the history of postal service' deep relationship with railways.
- 6.24 ●
Launched an intermediary sales service for a direct marketing e-learning program.
Launched an intermediary sales service for a direct marketing e-learning program provided by the U.S. Direct Marketing Association (DMA).

July

August

September



Began sales of the second series of *Gotochi* Form Cards. (7.1)



"Support for Miyazaki" Fair (8.2 to 9.30)



Launched a series of TV commercials, *Nippon Zenkoku*, *Yucho Kazoku*. (8.16)



Festival of 10 Million People's Radio Exercise and *Minna no Taizo* (8.1)



Fall *Arigatou*-Fair at Post Offices (9.1 to 10.29)



Held a special exhibition, "*Tegami de egao wo kanadeyou* ♪ meets Taro Hakase." (9.11 to 11.7)

- 7.1 ●

Began sales of the second series of *Gotochi* Form Cards.
Released 47 new designs for *Gotochi* Form Cards, each bearing illustrations of local products, tourist spots, events or individuals representative of each prefecture. [Go to P.31,89](#)
- 7.1 ●

Integrated Yu-Pack and Pelican delivery services.
Took over Pelican parcel delivery service of JP Express Co., Ltd. and started providing a new Yu-Pack service on July 1. We apologize for delivery delays immediately following the launch, causing inconveniences to our customers. (The service has been restored by July 15.) [Go to P.40](#)
- 7.1 ●

Launched an Internet label printing service for Pos Packet parcels.
Launched an online service that enables customers to print Pos Packet labels using their personal computers and printers.
- 7.29 ●

Finalized distribution of postage stamp donations for animal protection.
Issued special donation-added postage stamps commemorating the 60th anniversary of Be Kind to Animals Week in Japan in fiscal 2010 and allotted ¥41.67 million to 24 organizations. [Go to P.91](#)

- 8.1 ●

Festival of 10 Million People's Radio Exercise and *Minna no Taizo*
Japan Post Insurance, NHK (Japan Broadcasting Corporation) and NPO Japan Radio-taizo Federation jointly held the 49th Festival of 10 Million People's Radio Exercise and *Minna no Taizo* ("Exercise for Everyone") in Oita City. [Go to P.65](#)
- 8.2 to 9.30 ●

"Support for Miyazaki" Fair
Ran a "Support for Miyazaki" Fair at post offices across the country to provide assistance to Miyazaki Prefecture, which suffered considerable economic damage caused by an outbreak of foot-and-mouth disease, and donated 5% of the proceeds, amounting to ¥6,431,790, to Miyazaki Prefecture. [Go to P.31,89](#)
- 8.16 ●

Launched a series of TV commercials, *Nippon Zenkoku*, *Yucho Kazoku*.
Launched a series of TV commercials for broadcast across the country, *Nippon Zenkoku*, *Yucho Kazoku*, centered around the concept of creating a bond of happiness. [Go to P.54](#)

- 9.1 to 10.29 ●●●●

Fall *Arigatou*-Fair at Post Offices
Held the Fall *Arigatou*-Fair at all post offices nationwide and Japan Post group branch offices, giving out special gifts, such as a selection of food from northern Japan and accommodation coupons for *Kanpo no Yado* inns, to a total of 100,000 winners.
- 9.11 to 11.7 ●

Held a special exhibition, "*Tegami de egao wo kanadeyou* ♪ meets Taro Hakase."
Held a special exhibition called "*Tegami de egao wo kanadeyou* ♪ meets Taro Hakase" at the Communications Museum, consisting of an exhibition and events based on the themes of "smile" and "letters."



EMS 35th Anniversary Campaign (10.1)



©Disney
Started sales of New Year's postcards. (11.1)



Started sales of In print New Year's postcards and *Otoshidama* envelopes. (11.15)



Yu Aoi, the "image character" of 2011 New Year's postcard campaign

Exhibited at Eco-Products 2010. (12.9 to 12.11)



Piggy bank that won the Minister of Education, Culture, Sports, Science and Technology Incentive Award (first grade group) in the original piggy bank design contest



■ 10.1

EMS 35th Anniversary Campaign

Opened a special website, "EMS 35th Anniversary Special Site," and ran a campaign to celebrate the 35th anniversary of the express mail service (EMS).

■ 10.1

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

Extended the period for eliminating fees for transfer of funds between Japan Post Bank accounts through cash ATMs, which started in October 2007, until the end of September 2011.

■ 10.1

Started over-the-counter sales of *Toshin Direct* products.

Started sales of four products, originally sold through *Toshin Direct* (an Internet transaction service), at the counter of Japan Post banks and post offices and through a telephone transaction service called "Investment Trust Home Service." The fees on purchases made through *Toshin Direct* are now 20% lower than those on over-the-counter purchases.

■ 10.4

Began accepting international remittance to Japan Post Bank accounts in Euros.

Started handling international remittance in Euros from overseas banks to Japan Post Bank accounts in addition to the conventional service available in U.S. dollars.

■ 11.1

Started sales of New Year's postcards.

Started sales of 2011 New Year's postcards. Yu Aoi, a Japanese actress, appeared as the "image character" in the promotional campaign. [Go to P.41](#)

■ 11.15

Started sales of In print New Year's postcards and *Otoshidama* (New Year's money) envelopes.

Once again, sold In print New Year's lottery postcards and *Otoshidama* (New Year's money) gift envelopes. Conducted sales of *Otoshidama* KitKat with *Otoshidama* envelope, a product jointly developed with Nestlé Japan Ltd., which was also offered last year. [Go to P.31](#)

■ 11.22

Tie-up with China Post Group Corp. for expansion of international logistics business

Reached an agreement with China Post Group Corp. to strengthen cooperation in seeking new opportunities and challenges for the promotion of Japan-China international logistics business. [Go to P.41](#)

■ 11.27 to 1.30

Held a special exhibition entitled "*Nenga Hakurankai*."

Held a special exhibition entitled "*Nenga Hakurankai*" at the Communications Museum to show New Year's customs and the history and culture of New Year's postcards in Japan.

■ 12.2

Announced the prizewinners for the original piggy bank design contest.

Announced the prizewinners for the 35th original piggy bank design contest (held from August 23 to September 30, 2010). [Go to P.55,93](#)

■ 12.9 to 12.11

Exhibited at Eco-Products 2010.

Exhibited at Eco-Products 2010, one of the largest environment-related exhibitions held at Tokyo Big Sight. Presented environmental initiatives, including the donation of funds raised through sales of carbon offset postcards and tree-planting activities by the Japan Post Group company employees, using video and panel displays.

2011

January

February

March



Launch of *Kit Mail* (1.6)



"New Year Dream *Kanpo*" Campaign (1.11 to 3.11)



"Freshers Campaign" (2.1 to 5.31)

Debut of JP BANK JCB Card EXTAGE (2.1)



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



Postcard that won the Minister of Education, Culture, Sports, Science and Technology Award in the Letter Writing Contest (2.25)



- 1.1 ●
Delivery of New Year's postcards
 Delivered 2.084 million New Year's postcards nationwide on January 1, 2011.
- 1.4 ●●
Started providing a special fee discount for the visually impaired customers.
 Started charging a lower commission fee, which is the same as the one charged when transferring money using ATMs, for visually impaired customers making money transfers at the counter. [Go to P.55,91](#)
- 1.6 ●
Started sales of *Kit Mail*.
 Started sales of *Kit Mail*, a product jointly developed with Nestlé Japan Ltd., for sending messages of support to students taking entrance examinations in 2011. [Go to P.31](#)
- 1.11 to 3.11 ●●
Held a "New Year Dream *Kanpo* Campaign."
 Held a "New Year Dream *Kanpo* Campaign" at post offices and branches of Japan Post Insurance nationwide. [Go to P.65](#)
- 1.23 ●
Held a drawing for New Year's lottery postcards.
 Held a drawing for 2011 New Year's lottery postcards at the Communications Museum and picked the winning numbers for the first to fourth prizes.

- 2.1 ●●
Started offering JP BANK JCB Card EXTAGE.
 Started offering a combined ATM/credit card, JP BANK JCB Card EXTAGE, targeting customers aged 18 to 29. [Go to P.54](#)
- 2.1 to 5.31 ●●
Held the "Freshers Campaign."
 Held the "Freshers Campaign" at post offices and branches of Japan Post Bank nationwide. [Go to P.54](#)
- 2.5 and 2.26 ●
Held "Japan Post Insurance Health Promotion Living Symposium 2011: The First Step toward a Healthy Life in the Future."
 Held panel discussions exploring the topic of health, including a keynote speech by Kenji Ogiwara, an Olympic gold medalist in the Nordic combined team event. [Go to P.94](#)
- 2.20 ●
Held the National Presentation Contest for Communication by Postcard.
 Encouraged elementary schools that have participated in the letter writing workshop program to send in heart-warming postcards exchanged in their classrooms, and selected and announced outstanding ones at this national contest. [Go to P.93](#)
- 2.25 ●
Announced the prizewinners for the Letter Writing Contest.
 Announced the prizewinners for the 43rd Letter Writing Contest (held from July 1 to September 13, 2010). [Go to P.93](#)
- 2.28~ ●
Started a service to issue pension records.
 Started a service to issue pension records at designated post offices on consignment from the Japan Pension Service.

- 3.1 to 4.28 ●●●●
Spring *Hajimeyou-Fair* at Post Offices
 Held a Spring *Hajimeyou-Fair* at post offices nationwide and branches of Japan Post Group companies, which is designed to provide support to new students, new employees and new community members starting a new life in April with a diverse range of products and services. [Go to P.30](#)
- 3.1 to 5.31 ●●
"Suica Points" Giveaway Campaign
 Held the "Suica Points" Giveaway Campaign to give 10,000 Suica points (maximum) to winners who used *Yucho IC Cash Card Suica* during the campaign period.
- 3.8 ●
Announced the prizewinners for the All-Japan New Year's Postcard Contest.
 Announced the prizewinners for the 8th All-Japan New Year's Postcard Contest (held from November 15 to December 17, 2010). [Go to P.93](#)
- 3.11 ○
Great East Japan Earthquake occurred. [Go to P.4](#)

5. Japan Post Group Financial Review

1

Consolidated Summary (April 1, 2010 to March 31, 2011)

The Japan Post Group's consolidated net ordinary income was ¥956.9 billion and net income was ¥418.9 billion. At the end of the fiscal year, total assets amounted to ¥292,933.0 billion and net assets totaled ¥9,999.9 billion.

1. Results of Operations (Year ended March 31, 2011)

	Japan Post Group (consolidated)	Japan Post Holdings (non-cons.)	Japan Post Network (non-cons.)	Japan Post Service (non-cons.)	Japan Post Bank (non-cons.)	Japan Post Insurance (non-cons.)
Net ordinary income	¥956.9 billion	¥143.4 billion	¥58.2 billion	(¥89.0 billion)	¥526.5 billion	¥422.2 billion
Net income	¥418.9 billion	¥153.6 billion	¥30.6 billion	(¥35.4 billion)	¥316.3 billion	¥77.2 billion

(Reference: Year ended March 31, 2010)

Net ordinary income	¥1,007.2 billion	¥147.1 billion	¥62.4 billion	¥56.9 billion	¥494.2 billion	¥379.6 billion
Net income	¥450.2 billion	¥145.3 billion	¥32.9 billion	(¥47.4 billion)	¥296.7 billion	¥70.1 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, 2011 for five companies (Japan Post Holdings, Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance) are shown

above. After adding the results of operations of other subsidiaries and affiliated companies to consolidated operations, net income amounted to ¥418.9 billion.

2. Financial Conditions (Year ended March 31, 2011)

	Japan Post Group (consolidated)	Japan Post Holdings (non-cons.)	Japan Post Network (non-cons.)	Japan Post Service (non-cons.)	Japan Post Bank (non-cons.)	Japan Post Insurance (non-cons.)
Total assets	¥292,933.0 billion	¥9,648.9 billion	¥3,249.8 billion	¥1,863.4 billion	¥193,443.3 billion	¥96,786.7 billion
Total liabilities	¥282,933.0 billion	¥1,266.1 billion	¥2,960.2 billion	¥1,671.8 billion	¥184,349.7 billion	¥95,579.0 billion
Net assets	¥9,999.9 billion	¥8,382.8 billion	¥289.5 billion	¥191.5 billion	¥9,093.6 billion	¥1,207.6 billion

(Reference: Year ended March 31, 2010)

Total assets	¥298,571.3 billion	¥9,625.5 billion	¥3,252.3 billion	¥1,963.4 billion	¥194,678.3 billion	¥100,969.7 billion
Total liabilities	¥288,945.3 billion	¥1,360.1 billion	¥2,985.1 billion	¥1,736.4 billion	¥185,838.8 billion	¥99,800.4 billion
Net assets	¥9,625.9 billion	¥8,265.3 billion	¥267.1 billion	¥226.9 billion	¥8,839.5 billion	¥1,169.3 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 ¥292,933.0 billion, a year-on-year decrease of ¥5,638.3 billion. Assets included securities in the amount of ¥252,377.0 billion and loans discounted in the amount of ¥18,786.2 billion.

Consolidated total liabilities at the end of the fiscal year were ¥282,933.0 billion, a year-on-year decrease of ¥6,012.2 billion. Liabilities included deposits in the amount of ¥173,589.1 billion and policy reserves in the amount of ¥92,817.8 billion.

After excluding ¥36.3 billion in dividends within retained earnings and adding consolidated net income of ¥418.9 billion, net assets rose from ¥9,625.9 billion at the end of the previous fiscal year-end to ¥9,999.9 billion. Net assets included net unrealized gains on available for-sale securities in the amount of ¥412.4 billion.

As of March 31, 2011, the consolidated capital adequacy ratio (domestic standard) was 61.30%.

3. Consolidated Financial Highlights (April 1, 2010 to March 31, 2011)

■ Consolidated Results of Operations

Ordinary income (Year ended March 31, 2011) ¥17,468,947 million (Year ended March 31, 2010) ¥18,773,630 million	▶	Net ordinary income (Year ended March 31, 2011) ¥956,917 million (Year ended March 31, 2010) ¥1,007,260 million	▶	Net income (Year ended March 31, 2011) ¥418,929 million (Year ended March 31, 2010) ¥450,220 million
Net income per share (Year ended March 31, 2011) ¥2,792.86 (Year ended March 31, 2010) ¥3,001.47		Diluted net income per share (Note) (Year ended March 31, 2011) — (Year ended March 31, 2010) —		
Return on equity (Year ended March 31, 2011) 4.3% (Year ended March 31, 2010) 4.9%		Net ordinary income/Total assets (Year ended March 31, 2011) 0.3% (Year ended March 31, 2010) 0.3%		Net ordinary income/Ordinary income (Year ended March 31, 2011) 5.5% (Year ended March 31, 2010) 5.4%

(Reference) Equity in earnings of affiliates
 Fiscal year ended March 31, 2011: ¥31 million
 Fiscal year ended March 31, 2010: ¥17 million

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

■ Consolidated Financial Condition

Total assets (Year ended March 31, 2011) ¥292,933,013 million (Year ended March 31, 2010) ¥298,571,321 million		Net assets (Year ended March 31, 2011) ¥9,999,952 million (Year ended March 31, 2010) ¥9,625,962 million
Capital adequacy ratio (Note 1) (Year ended March 31, 2011) 3.4% (Year ended March 31, 2010) 3.2%	Net assets per share (Year ended March 31, 2011) ¥66,658.19 (Year ended March 31, 2010) ¥64,165.72	Consolidated capital adequacy ratio (domestic standard) (Note 2) (Year ended March 31, 2011) 61.30% (Year ended March 31, 2010) 69.77%

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

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

(Reference) Equity capital
 Fiscal year ended March 31, 2011: ¥9,998,728 million
 Fiscal year ended March 31, 2010: ¥9,624,858 million

2 Japan Post Holdings Financial Highlights (April 1, 2010 to March 31, 2011)

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 ¥309.3 billion, net ordinary income was ¥143.4 billion and net income was ¥153.6 billion.

■ Results of Operations

Operating income (Year ended March 31, 2011) ¥305,878 million (Year ended March 31, 2010) ¥317,087 million	▶	Net operating income (Year ended March 31, 2011) ¥140,752 million (Year ended March 31, 2010) ¥144,339 million	▶	Net ordinary income (Year ended March 31, 2011) ¥143,466 million (Year ended March 31, 2010) ¥147,179 million	▶	Net income (Year ended March 31, 2011) ¥153,622 million (Year ended March 31, 2010) ¥145,389 million
Net income per share (Year ended March 31, 2011) ¥1,024.15 (Year ended March 31, 2010) ¥ 969.26		Diluted net income per share (Note) (Year ended March 31, 2011) — (Year ended March 31, 2010) —				
Return on equity (Year ended March 31, 2011) 1.8% (Year ended March 31, 2010) 1.8%		Net ordinary income/Total assets (Year ended March 31, 2011) 1.5% (Year ended March 31, 2010) 1.5%		Net operating income/Operating income (Year ended March 31, 2011) 46.0% (Year ended March 31, 2010) 45.5%		

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

■ Financial Condition

Total assets (Year ended March 31, 2011) ¥9,648,973 million (Year ended March 31, 2010) ¥9,625,504 million		Net assets (Year ended March 31, 2011) ¥8,382,804 million (Year ended March 31, 2010) ¥8,265,323 million
Capital adequacy ratio (Year ended March 31, 2011) 86.9% (Year ended March 31, 2010) 85.9%	Net assets per share (Year ended March 31, 2011) ¥55,885.36 (Year ended March 31, 2010) ¥55,102.16	(Reference) Equity capital Fiscal year ended March 31, 2011: ¥8,382,804 million Fiscal year ended March 31, 2010: ¥8,265,323 million

3 Japan Post Network Financial Highlights (April 1, 2010 to March 31, 2011)

As a result of strengthening collaboration with the Japan Post Group companies and promoting sales activities, operating income amounted to ¥1,256.3 billion, and net operating income totaled ¥49.5 billion. Ordinary income was ¥1,284.9 billion, net ordinary income was ¥58.2 billion and net income was ¥30.6 billion.

Results of Operations

Operating income (Year ended March 31, 2011) ¥1,256,349 million (Year ended March 31, 2010) ¥1,263,975 million	Net operating income (Year ended March 31, 2011) ¥49,548 million (Year ended March 31, 2010) ¥52,173 million	Net ordinary income (Year ended March 31, 2011) ¥58,260 million (Year ended March 31, 2010) ¥62,439 million	Net income (Year ended March 31, 2011) ¥30,661 million (Year ended March 31, 2010) ¥32,981 million
Net income per share (Year ended March 31, 2011) ¥7,665.40 (Year ended March 31, 2010) ¥8,245.29	Diluted net income per share (Note) (Year ended March 31, 2011) — (Year ended March 31, 2010) —		
Return on equity (Year ended March 31, 2011) 11.0% (Year ended March 31, 2010) 12.9%	Net ordinary income/Total assets (Year ended March 31, 2011) 1.8% (Year ended March 31, 2010) 1.9%	Net operating income/Operating income (Year ended March 31, 2011) 3.9% (Year ended March 31, 2010) 4.1%	

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

Financial Condition

Total assets (Year ended March 31, 2011) ¥3,249,823 million (Year ended March 31, 2010) ¥3,252,318 million	Net assets (Year ended March 31, 2011) ¥289,538 million (Year ended March 31, 2010) ¥267,122 million	
Capital adequacy ratio (Year ended March 31, 2011) 8.9% (Year ended March 31, 2010) 8.2%	Net assets per share (Year ended March 31, 2011) ¥72,384.73 (Year ended March 31, 2010) ¥66,780.65	(Reference) Equity capital Fiscal year ended March 31, 2011: ¥289,538 million Fiscal year ended March 31, 2010: ¥267,122 million

4 Japan Post Service Financial Highlights (April 1, 2010 to March 31, 2011)

Japan Post Service handled a total of 22,780.50 million items (a year-on-year decrease of 2.6%), including 19,812.10 million items of mail (down 3.7%), 343.32 million Yu-Pack parcels (up 47.3%) and 2,621.58 million Yu-Mail booklet parcels (up 3.2%). A decrease in revenue accompanying the decline in the number of items handled and an increase in expenses associated with taking over business operations from JP Express, resulted in ordinary income of ¥1,803.2 billion, a net ordinary loss of ¥89.0 billion, and a net loss of ¥35.4 billion.

Results of Operations

Operating income (Year ended March 31, 2011) ¥1,779,870 million (Year ended March 31, 2010) ¥1,813,048 million	Net operating income (Year ended March 31, 2011) (¥103,473 million) (Year ended March 31, 2010) ¥42,779 million	Net ordinary income (Year ended March 31, 2011) (¥89,093 million) (Year ended March 31, 2010) ¥56,997 million	Net income (Year ended March 31, 2011) (¥35,435 million) (Year ended March 31, 2010) (¥47,493 million)
Net income per share (Year ended March 31, 2011) (¥ 8,858.86) (Year ended March 31, 2010) (¥11,873.34)	Diluted net income per share (Note) (Year ended March 31, 2011) — (Year ended March 31, 2010) —		
Return on equity (Year ended March 31, 2011) (16.9%) (Year ended March 31, 2010) (18.7%)	Net ordinary income/Total assets (Year ended March 31, 2011) (4.7%) (Year ended March 31, 2010) 2.8%	Net operating income/Operating income (Year ended March 31, 2011) (5.8%) (Year ended March 31, 2010) 2.4%	

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

Financial Condition

Total assets (Year ended March 31, 2011) ¥1,863,433 million (Year ended March 31, 2010) ¥1,963,440 million	Net assets (Year ended March 31, 2011) ¥191,546 million (Year ended March 31, 2010) ¥226,981 million	
Capital adequacy ratio (Year ended March 31, 2011) 10.3% (Year ended March 31, 2010) 11.6%	Net assets per share (Year ended March 31, 2011) ¥47,886.61 (Year ended March 31, 2010) ¥56,745.46	(Reference) Equity capital Fiscal year ended March 31, 2011: ¥191,546 million Fiscal year ended March 31, 2010: ¥226,981 million

5 Japan Post Bank Financial Highlights (April 1, 2010 to March 31, 2011)

As a result of sales efforts for keeping the balances of many matured *TEIGAKU* deposits, Japan Post Bank held deposits totaling ¥174.6 trillion (down ¥1.1 trillion from the year ended March 31, 2010) (deposits including unpaid interest amounted to ¥175.3 trillion [down ¥1.1 trillion]). Ordinary income (revenues) was ¥2,205.3 billion, net ordinary income was ¥526.5 billion and net income was ¥316.3 billion. Net operating profit was ¥508.3 billion, while the capital adequacy ratio (Basel II) was 74.82%.

Results of Operations

Ordinary income (Year ended March 31, 2011) ¥2,205,344 million (Year ended March 31, 2010) ¥2,207,942 million		▶	Net ordinary income (Year ended March 31, 2011) ¥526,550 million (Year ended March 31, 2010) ¥494,252 million		▶	Net income (Year ended March 31, 2011) ¥316,329 million (Year ended March 31, 2010) ¥296,758 million	
Net income per share	(Year ended March 31, 2011) ¥2,108.86 (Year ended March 31, 2010) ¥1,978.38		Diluted net income per share (Note)	(Year ended March 31, 2011) — (Year ended March 31, 2010) —			
Return on equity	(Year ended March 31, 2011) 3.5% (Year ended March 31, 2010) 3.4%	Net ordinary income/Total assets	(Year ended March 31, 2011) 0.2% (Year ended March 31, 2010) 0.2%	Net ordinary income/Ordinary income	(Year ended March 31, 2011) 23.8% (Year ended March 31, 2010) 22.3%		

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

Financial Condition

Total assets	(Year ended March 31, 2011) ¥193,443,350 million (Year ended March 31, 2010) ¥194,678,352 million	Net assets	(Year ended March 31, 2011) ¥9,093,634 million (Year ended March 31, 2010) ¥8,839,547 million
Capital adequacy ratio	(Year ended March 31, 2011) 4.7% (Year ended March 31, 2010) 4.5%	Net assets per share	(Year ended March 31, 2011) ¥60,624.23 (Year ended March 31, 2010) ¥58,930.31
		Capital adequacy ratio (domestic standard) (Note)	(Year ended March 31, 2011) 74.82% (Year ended March 31, 2010) 91.62%

Note: The capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 14-2 of the Banking Act and on the basis of calculation formulae prescribed under the criteria for judging whether a bank's capital adequacy ratio is appropriate in light of assets held (Financial Services Agency Notice No. 19, 2006). (Reference) Equity capital
Fiscal year ended March 31, 2011: ¥9,093,634 million
Fiscal year ended March 31, 2010: ¥8,839,547 million

6 Japan Post Insurance Financial Highlights (April 1, 2010 to March 31, 2011)

As a result of efforts to strengthen its sales promotion capabilities in collaboration with Japan Post Network, Japan Post Insurance established 2.06 million new insurance policies for individuals (a year-on-year increase of 8 thousand), which is almost same level as in the previous year, posting ordinary income of ¥13,375.4 billion, net ordinary income of ¥422.2 billion and net income of ¥77.2 billion. Insurance premiums amounted to ¥7,342.3 billion, and core profit was ¥484.4 billion, while retained earnings (reserve for price fluctuations and contingency reserve) totaled ¥3,295.6 billion, for a solvency margin ratio of 1,821.6%.

Results of Operations

Ordinary income (Year ended March 31, 2011) ¥13,375,468 million (Year ended March 31, 2010) ¥14,591,640 million		▶	Net ordinary income (Year ended March 31, 2011) ¥422,207 million (Year ended March 31, 2010) ¥379,623 million		▶	Net income (Year ended March 31, 2011) ¥77,276 million (Year ended March 31, 2010) ¥70,126 million	
Net income per share	(Year ended March 31, 2011) ¥3,863.81 (Year ended March 31, 2010) ¥3,506.34		Diluted net income per share (Note)	(Year ended March 31, 2011) — (Year ended March 31, 2010) —			
Return on equity	(Year ended March 31, 2011) 6.5% (Year ended March 31, 2010) 6.3%	Net ordinary income/Total assets	(Year ended March 31, 2011) 0.4% (Year ended March 31, 2010) 0.4%	Net ordinary income/Ordinary income	(Year ended March 31, 2011) 3.2% (Year ended March 31, 2010) 2.6%		

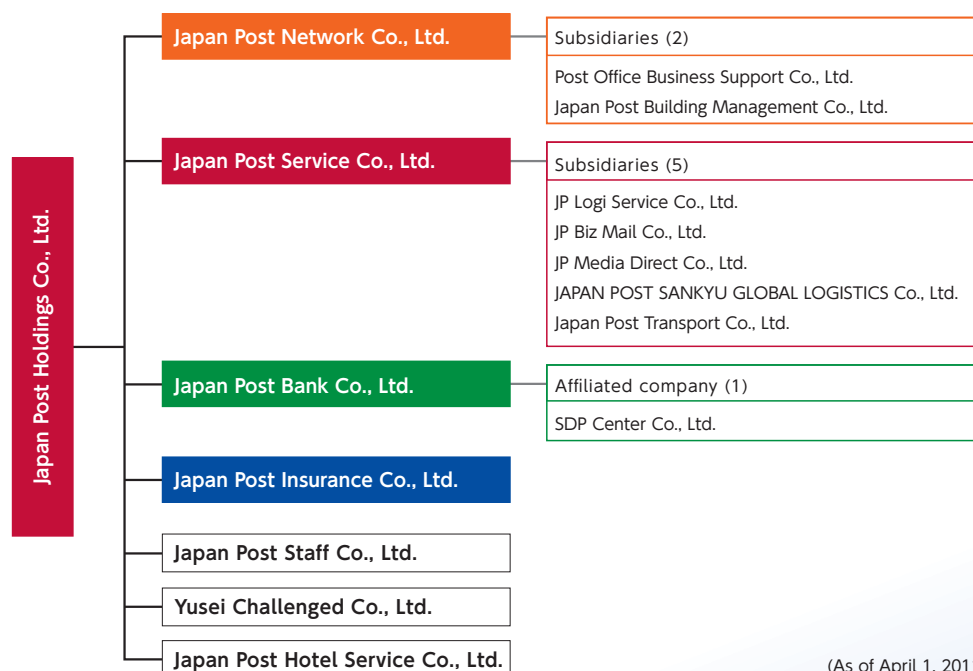
Note: Because there was no dilution, the amount for net income per share after dilution is omitted.

Financial Condition

Total assets	(Year ended March 31, 2011) ¥ 96,786,765 million (Year ended March 31, 2010) ¥100,969,782 million	Net assets	(Year ended March 31, 2011) ¥1,207,690 million (Year ended March 31, 2010) ¥1,169,366 million
Capital adequacy ratio	(Year ended March 31, 2011) 1.2% (Year ended March 31, 2010) 1.2%	Net assets per share	(Year ended March 31, 2011) ¥60,384.51 (Year ended March 31, 2010) ¥58,468.32
		(Reference) Equity capital	Fiscal year ended March 31, 2011: ¥1,207,690 million Fiscal year ended March 31, 2010: ¥1,169,366 million

6. The Operations of the Japan Post Group

1. Japan Post Group Structure



(As of April 1, 2011)

2. Nationwide Post Office Network

With 24,529 locations, our network of post offices covers all of Japan's 1,750 cities, towns, and villages*. These post offices, which serve as bases for various postal, banking, and insurance services that are offered by the Japan Post Group, have been an integral part of local communities for many years, and the Japanese public has come to greatly appreciate this extensive network.

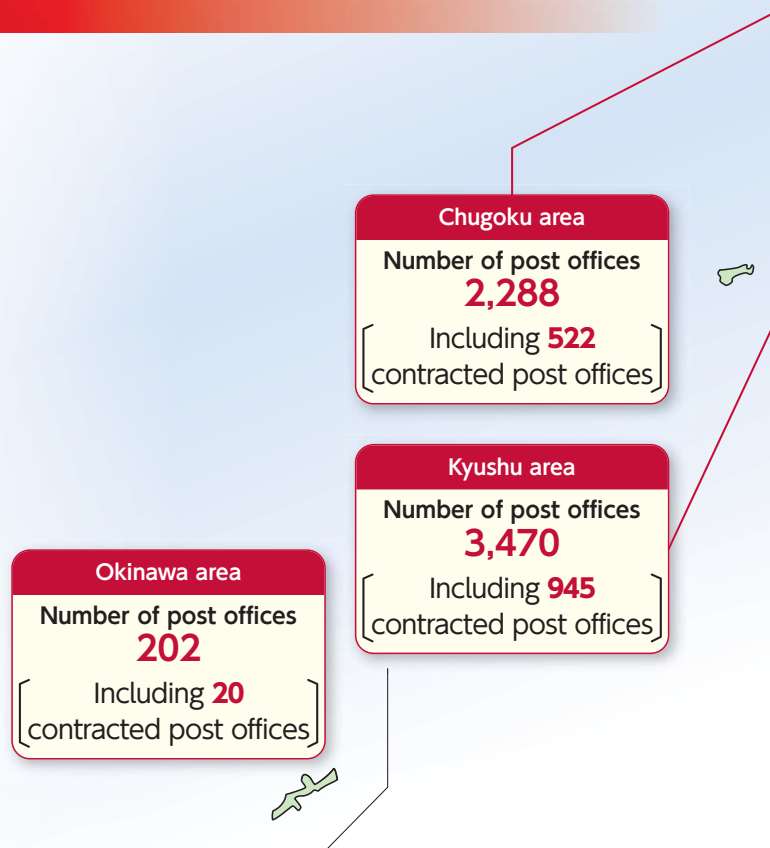
The Group looks forward to taking advantage of these post offices to provide convenient new services to residents of the communities we serve while ensuring their ability to access postal, banking, and insurance services in a unified manner throughout Japan.

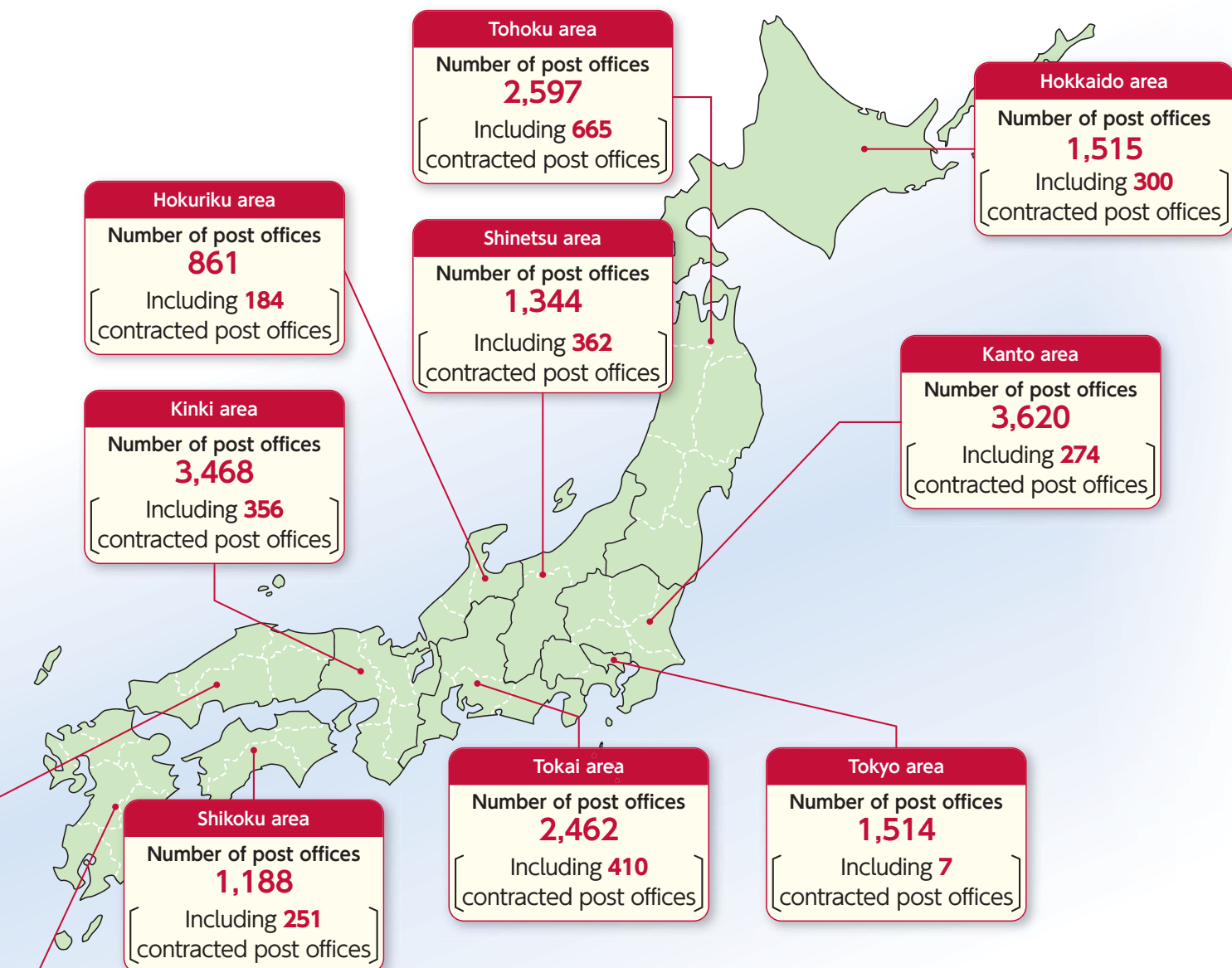
*Includes Tokyo's 23 special wards (as of March 31, 2011).

■ Post Offices in Japan (As of March 31, 2011)

Directly operated post offices (including branch offices)	20,233
Contracted post offices	4,296
Total	24,529

Note: Includes 137 directly operated post offices and 255 contracted post offices that are temporarily closed.





■ Initiatives for Maintaining the Post Office Network

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

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

● Initiatives for Resuming Operations at Temporarily Closed Contracted Post Offices

Since March 2008 support measures for contracted operators have been implemented, including an increase in handling commission fees paid to contractors and the implementation of a system for subleasing of facilities. As a result of these measures, the number of temporarily closed post offices, which stood at 417 at the time of privatization, was reduced to 200 as of the end of February 2011. However, the number of temporarily closed post offices was 255 due to the impact of the Great East Japan Earthquake as of the end of March 2011 (61 of which are due to the earthquake disaster).

● Provide Provisional Services for Temporary Closed Contracted Post Offices

In areas where the operations of temporarily closed post offices are unlikely to be resumed soon, we are providing 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 65 locations.

○ Services Provided by Temporary Branches

Directly operated post offices are opening temporary branches near post offices temporarily closed in communities that have no financial institutions, which includes post offices. At the end of March 2011, temporary branches were in operation at two locations.

○ Services Provided by Mobile Post Offices

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

Additionally, as of the end of March 2011, services of mobile post offices in the respective regions are temporarily suspended to provide services in the disaster-affected areas of the Great East Japan Earthquake.

Dedicated to Providing the Public with the Best Possible Services

CONTENTS

1. Operations of Japan Post Network

Message from the Company	28
1. Overview of Operations	30
2. Products and Services	32
3. Japan Post Network Business Performance	36

2. Operations of Japan Post Service

Message from the Company	38
1. Overview of Operations	40
2. Products and Services	42
3. Japan Post Service Business Performance	46

3. Operations of Japan Post Bank

Message from the Company	52
1. Overview of Operations	54
2. Products and Services	56
3. Japan Post Bank Business Performance	59

4. Operations of Japan Post Insurance

Message from the Company	62
1. Overview of Operations	64
2. Products and Services	66
3. Japan Post Insurance Business Performance	69

5. Other Businesses

1. Hospital Business	74
2. Hotel Business	75

1. Operations of Japan Post Network



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

Akira Nagatomi
President
Japan Post Network Co., Ltd.

Message from the Company



Review of Fiscal 2011

We would like to express our sympathy to the persons who suffered from the Great East Japan Earthquake that occurred in March 2011 as well as to persons related to these victims. Let us pray for the persons who lost their lives in the disaster and express our deepest condolences to their bereaved. Japan Post Network Co., Ltd. also suffered huge damages including the loss of the lives of employees and the destruction of post offices and other facilities. Although we are currently still unable to provide sufficient services to our customers in the affected communities, we are making our utmost efforts to restore normal operations as quickly as possible.

Japan Post Network makes efforts to offer new products and services, mainly through our postal, banking and insurance services—the core businesses of post offices—in order to meet the diverse needs of our customers. These efforts are based on our management philosophy that we offer products and services transparently through post office networks close to customers, aiming to contribute

to “helping customers lead a better and more comfortable life at present and in the future.”

In fiscal 2011, we regarded the prevention of misconduct as our top management issue, aiming to eradicate internal misconduct. Our efforts focused on the steady implementation of the business improvement plan that we formulated and announced in January 2010. Secondly, in order to strengthen our revenue base, we encouraged further use of post offices by customers through initiatives including promotional campaigns in partnership with the companies of the Japan Post Group. After postal privatization, we have also endeavored to diversify our revenue sources through efforts such as the sales of catalog products and the expansion of convenience-store-type sales outlets. Additionally, we continued to take measures to improve the efficiency of our business operations, and to develop necessary systems, in order to strengthen our management foundation. As a result of these efforts, Japan Post Network recorded operating income of ¥1,256.3 billion, net ordinary income of ¥58.2

billion, and net income of ¥30.6 billion.

Issues for the Future

In fiscal 2012, we will make company-wide efforts to quickly normalize our services in the areas damaged by the Great East Japan Earthquake in March 2011. Concurrently, we will collaborate with other companies in the Japan Post Group to support persons who suffered damages from the earthquake.

Regarding thorough compliance, Japan Post Network will steadily implement the business improvement plan and strive to eradicate internal misconduct, mainly based on efforts toward fostering a deeper awareness of compliance and preventing misconduct. Through these efforts, we would like to regain the trust of customers and local communities.

In order to strengthen our revenue base, we will strive to halt downtrends of the sales of our main products with regard to our three core businesses of postal, banking and insurance services, which account for approximately 99% of our revenue, by strengthening our sales promotion structures and implementing sales promotion campaigns

in partnership with the companies of the Japan Post Group. In our merchandise sales and new financial businesses, we will develop business foundations by measures such as re-evaluating the sales promotion and management structures. We will also enhance our sales capabilities by allocating further human resources to sales activities, through improving the allocation of employees and the streamlining of various clerical works, while also utilizing our existing management resources more efficiently and effectively.

In addition to with these measures, we will strive to maintain the level of the post office network, a shared asset of the Japanese people, so as to maintain our roots in local areas and utilize the network via efforts to strengthen local one-stop government functions and revitalize local communities.

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

1. Overview of Operations

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

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

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

1. Postal Counter Operations of the Three Core Businesses

■ Counter operations of the three core businesses

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

■ Strengthen Sales in Our Three Core Businesses

Post offices serve as points of contact between customers and Japan Post Group companies. We strengthened our sales in the three core businesses of postal, banking and insurance services by taking such measures as holding seasonal fairs in spring and fall and implementing other types of campaigns.

- Postal: We set up new displays and featured packaged products that were both appealing and easy to purchase by customers. We also made efforts to ensure that customers continue to use specialty product Yu-Pack services as well as to gain new customers for this service by strengthening collaboration with Japan Post Service.
- Savings: We work to bring satisfaction to our customers through our services. As part of these efforts, we held a *Yucho Arigatou* Campaign that included offering special interest rates on *TEIGAKU* deposits and giving out prizes to draw winners.
- Insurance: We ran a “Flowers” promotional campaign (Japan Post Insurance × Flowers), a tie-up project with a Japanese movie called *Flowers*. The aim was to attract customers to the insurance counter in post offices, welcoming their informal inquiries about insurance matters.

TOPICS

Spring *Hajimeyou-Fair* in Post Offices

Post offices throughout the country and branches of the Japan Post Group companies hosted a Spring *Hajimeyou-Fair* from March through April 2011. The fair is designed to provide support to those starting a new life in April, including new students, new employees and new community members, with our diverse range of products and services.

During the fair, customers who purchased specific products or services were encouraged to participate in a drawing, and prizes were given to a total of 100,000 winners. The Japan Post Group will work to make its products and services available to everyone, capitalizing on its nationwide network of post offices and branches.



2011 Spring *Hajimeyou-Fair* poster at post offices

2. Providing New Products and Services

To respond to the diversified needs of customers and to upgrade the one-stop functions of post offices, we are successively offering new products and services. We handle a variety of new financial products, which include the sale of individual variable annuities, third-sector insurance products, commissioned sales of corporate insurance products and automobile insurance. We are also involved in a catalog sales business in which we serve as an intermediary for sales of products listed in catalogs and on flyers placed in post offices. Other services include the handling of work for local public entities such as delivering official certification documents as well as providing comprehensive referral services for home security and moving.

We are also establishing new businesses that make use of our real estate holdings as well as undertaking an advertising business utilizing extra space at post offices.

■ Sales of Pocari Sweat *Natsu Gokoro* Letter

Japan Post Network and Otsuka Pharmaceutical Co., Ltd. jointly launched sales of *Natsu Gokoro* Letter. It is a postcard-like package containing powder of Pocari Sweat, a sports drink produced by Otsuka Pharmaceutical, with a blank space on the back to write a message. It was sold at about 7,000 post offices across the country from June through August 2010. This new type of letter delivered a message both sounding and tasting “cool” to those you care about in the height of summer.



■ Launch of Second Series of *Gotochi* Form Cards

In July 2010, we released the second series of *Gotochi* (local) Form Cards consisting of 47 new designs. Each *Gotochi* Form Card bears illustrations of local products, tourist spots, events or individuals representative of each prefecture and is available only at post offices in that prefecture. These *Gotochi* Form Cards, varying in size and shape, can be sent as nonstandard-size items.



Gotochi Form Card
(Kochi Prefecture)



Gotochi Form Card
(Iwate Prefecture)

■ Sales of In Print New Year's Postcards, *Otoshidama* Envelopes and *Otoshidama* KitKat

Post offices across the nation sold In print New Year's lottery postcards with preprinted greetings and designs fit for the season, and *Otoshidama* (New Year's money) gift envelopes available in six designs featuring characters popular among children.

These post offices also sold *Otoshidama* KitKat with an *Otoshidama* envelope, a product jointly developed with Nestlé Japan Ltd. Its red package contains KitKat chocolate wafers, with a small *Otoshidama* envelope attached to the front of the package. For 2011, the envelope bears a message “You will for sure jump high in 2011,” linking “Kit” in the product name and a Japanese word “*Kitto*” meaning “for sure.”

■ Sales of *Kit Mail* for Students Preparing for Entrance Exams

We again sold *Kit Mail*, a product jointly developed with Nestlé Japan Ltd. to deliver a warm hand-written message with KitKat chocolate wafers to students preparing for entrance exams. KitKat, the pronunciation of which roughly resembles “*Kitto Katsu*” in Japanese (meaning a “surefire win”), is regarded as a lucky charm and is very popular among exam-taking students.



TOPICS

Initiatives to Vitalize Local Communities

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

Some initiatives are closely related to our postal operations. We develop and sell frame stamps that use photographs for promotion of local events and tourist spots and use small-size commemorative postmarks featuring particular local events. Other initiatives are based on our strong ties with local communities. These include participation in stamp rallies sponsored by local governments and sales of premium gift certificates issued by local chambers of commerce.

Within Japan Post Network, we intend to contribute to vitalization of local communities by promoting a range of internal projects, such as the Regional Ideas Promotion Project to solicit ideas from employees and Regional Initiative PR Project to publicize and extend regional initiatives to post offices in other regions.

“Support for Miyazaki” Fair

To provide assistance to Miyazaki Prefecture, which suffered considerable economic damage caused by an outbreak of foot-and-mouth disease, we ran a “Support for Miyazaki” Fair from August 2 to September 30, 2010. During the fair, we handed out special flyers to sell their local products, including delicious food gifts and fruit juice gifts, and accepted orders at post offices and our website.

In November of the same year, we donated 5% of the proceeds, amounting to ¥6,431,790, to Miyazaki Prefecture.



2. Products and Services

(As of July 1, 2011)

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

1. Products and Services of the Three Core Businesses

(1) Postal counter operations

We handle postal and Yu-Pack items and sell postage stamps and postcards as well as revenue stamps. For details, please refer to pages 40-41.

(2) Savings counter operations

We handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts. For details, please refer to pages 54-55.

(3) Insurance counter operations

We solicit life insurance and handle premium payments. For details, please refer to pages 64-65.

(2) Post Office Referrals Comprehensive Lifestyle Referral Services

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

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



2. Providing Services that Support People's Lives

(1) Working with Local Governments

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

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

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

(As of March 31, 2011)

Services	Prefectures	Municipalities	Post offices
1. Office certification documents (Issuance of copies of resident card, etc.)	0	160	612
2. Other services	1	106	3,411
(1) Sales	0	98	1,330
a. Multiple-ride bus tickets	0	24	238
b. Trash collection certificates	0	34	751
c. Sewage treatment certificates	0	6	25
d. Tickets to events (Tickets for events sponsored by local governments, etc.)	0	18	184
e. Merchandise certificates	0	0	0
f. Trash collection bags	0	51	348
(2) Distribution services (Issuance of bus tickets, etc.)	0	10	1,412
(3) Receipt of application forms (Receipt of application forms for using public facilities, etc.)	1	2	1,233
Total	1	245	3,960

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



3. Responding to Customers' Various Needs

(1) Third-Sector Insurance Products

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

(Products Handled)

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

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

- **Tayoreru YOU** [underwriter: Sumitomo Life Insurance Company]

This whole life medical insurance (medical insurance with eased underwriting conditions) allows for the enrollment of persons with pre-existing conditions (diabetes, hypertension, etc.) who are not accepted under traditional health insurance*.

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

(2) Variable Annuity Sales

In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 166 post offices.

(Products Handled)

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

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

In order to respond to a variety of needs of executives, such as needs for retirement benefit-related measures, business insurance, business succession and inheritance countermeasures, we sell life insurance for companies (for management-level personnel) at 124 post offices.

* Products handled vary depending on the handling post office.

(Products Handled)

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

* Sumitomo Life Insurance Company only underwrites level term insurance.



(4) Automobile Insurance

As a non-life insurance agency, we have been handling post office automobile insurance in cooperation with six non-life insurance companies at 600 post offices.

(Products Handled)

● Post Office Automobile Insurance

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

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



(5) Post Office Internet Shop

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

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

* In April 2011, the Post Office Mail-Order Shop changed its name to Post Office Internet Shop.



(6) Total Printing Service

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



(7) Frame Stamps

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



4. Promoting the Effective Use of Post Offices

(1) Product Sales Utilizing Space at Post Offices

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

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

(2) JP LAWSON Stores

In cooperation with LAWSON, INC., small convenience store-type outlets called JP LAWSON stores are being deployed. These are stores that operate inside an area within a post office, and they have a lineup of mail-related products, including standard items as well as post office character goods (Posties) and mail box shaped piggy banks. Through the JP LAWSON stores, our aim is to improve convenience for customers who visit post offices and customers living in the vicinity of post offices.



Gotochi Form Card (Tokyo)



Gotochi Form Card (Yamaguchi Prefecture)



JP LAWSON (Shibuya, Tokyo)

TOPICS

"Posties" – Characters for the Japan Post Group

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



(3) Advertising Business

Japan Post Network implements its advertising business by deploying extra space at post offices and using its nationwide network of post offices to place advertisements by companies and local governments. 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 and holding events inside post offices.

(4) Collection of Used Ink Cartridges

We started the "ink cartridge *satogaeri* project" for collecting used ink cartridges with the cooperation of six printer manufacturers. As of March 2011, collection boxes were placed in 3,639 major post offices.



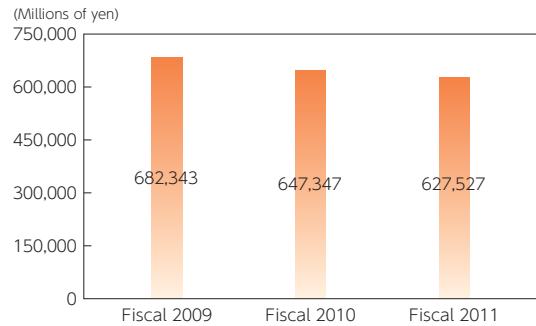
Event held in Tokyo



3. Japan Post Network Business Performance

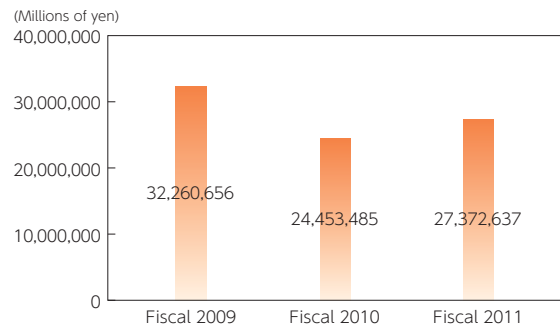
1 Postal Operating Revenues

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



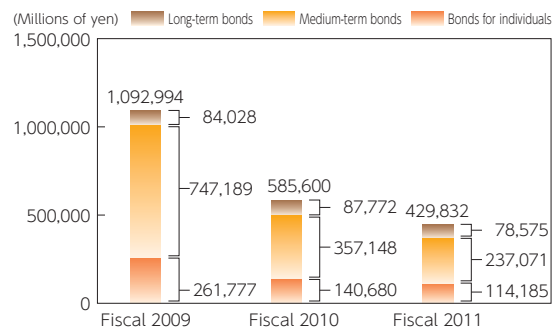
2 TEIGAKU and Time Deposits Handled

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



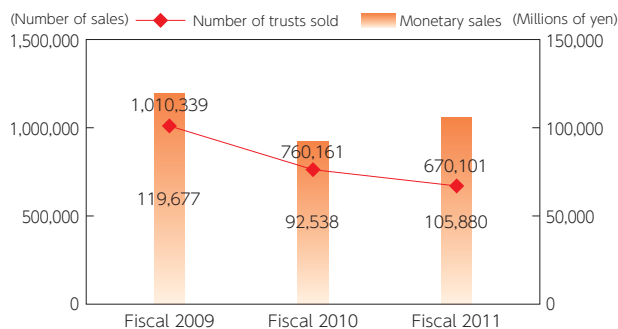
3 Sales of Japanese Government Bonds

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



4 Investment Trust Sales

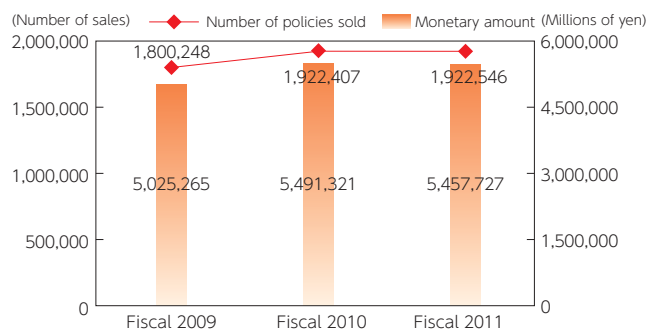
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post Network are as follows.



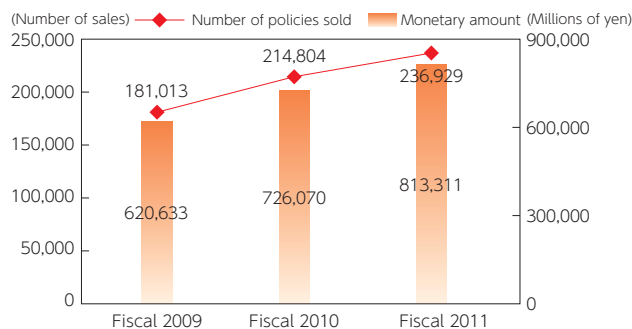
5 Life Insurance and Annuity Sales

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

Individual Insurance

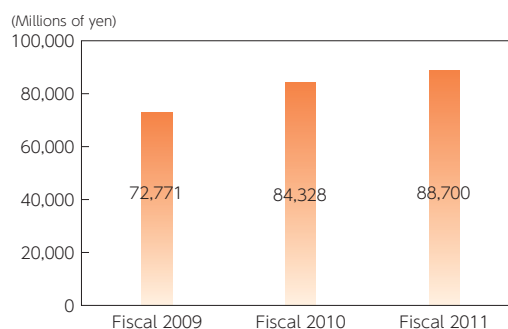


Individual Annuities



6 Merchandise Business

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



2. Operations of Japan Post Service



Shinichi Nabekura

President and CEO
Japan Post Service Co., Ltd.

Message from the Company



Review of Fiscal 2011

In reviewing fiscal 2011, let me first offer my thoughts and prayers for the persons who lost their lives in the Great East Japan Earthquake on March 11, 2011 and express my heartfelt sympathy to the residents of the disaster-stricken regions.

Many of our employees were also affected by the earthquake and tsunami, and our branch buildings, post boxes, vehicles and other facilities suffered enormous damage. Nevertheless, with the exception of a few areas, Japan Post Service was able to quickly restore regular operations, thanks to the all-out efforts of our employees, especially the employees in the disaster-affected areas who worked tirelessly to return our services to normal.

We have been making every effort to deliver mail and Yu-Pack items to persons living in evacuation shelters. Japan Post Service is also providing maximum support to persons affected by the disaster through measures that include exempting fees for cash registered mail containing disaster relief money and selling donation-added postage stamps to support those who suffered damages.

Japan Post Service will continue supporting local communities by providing reliable mail, Yu-Pack and other services as essential forms of communication and logistics closely linked to people's daily lives. These services interconnect the disaster-affected areas and link them to other areas throughout Japan.

Turning to our business operations in fiscal 2011, a large number of customers were inconvenienced by Yu-Pack delivery delays immediately after the integration of the parcel delivery operations of JP Express Co., Ltd. (JP EX) in July 2010. In August, we received a business improvement directive from the Minister of Internal Affairs and Communications. Japan Post Service regards the situation with utmost seriousness and will institute necessary and adequate structures for preventing any recurrence, so as to ensure stable business operations and regain the trust of customers.

Regarding our business results in fiscal 2011, growth in revenue was significantly outpaced by an increase in personnel expenses and in collection, delivery and transport outsourcing expenses resulting from the

integration of JPEX's parcel delivery operations. Profits in our postal operations also declined owing to such ongoing trends as cutbacks in communications and sales promotion expenses by corporate customers, in addition to declining mail volumes accompanying the growing use of Web-based invoices and other documents. As a result, Japan Post Service registered a net operating loss of ¥103.4 billion.

In January 2011, Japan Post Service submitted a report to the Minister of Internal Affairs and Communications containing an analysis of the factors underlying the worsening of the net operating loss and outlining measures for improving our bottom line in the future.

Issues for the Future

Based on an evaluation of our business results in fiscal 2011, I believe our top management priority will be to quickly achieve a profitable balance in our revenues and expenses. Japan Post Service faces a severe business environment. Besides the structural problem of declining mail volumes, our Yu-Pack service is also encountering intensifying competition in the logistics industry. Moreover, the impact of the Great East Japan Earthquake has clouded the outlook for future economic conditions.

Under these circumstances, in the short term we will implement measures to quickly improve the profitability of our Yu-Pack business. Over the medium to long term, we will address the structural problem of the decline in mail volumes.

In responding to these issues, we will accordingly strive to increase revenues by expanding our small- and medium-size customers and to strengthen our sales in

Yu-Mail and other fields where we compete. At the same time, we will develop and provide new products and services that accurately respond to customer needs and work to raise the quality of our services by intensifying our human resources development. Additionally, we will raise productivity by bolstering our business foundations through such measures as investing in automation and information technology (IT) to further enhance our competitiveness. By taking these steps, we aim to achieve profitability on a single-year basis for Japan Post Service as a whole in fiscal 2013 and for our Yu-Pack business in another five years.

To diversify and fortify our earnings structure, we will also further develop our logistics business to ensure that it effectively offers third-party logistics (3PL) services coupled with logistics consulting services, while working to secure a solid logistics business in the continually growing e-commerce market. In the international logistics business, we will respond to the diverse needs of customers, mainly through collaboration with the China Post Group, with which we formed a business alliance in November 2010. Our international logistics business will primarily focus on China and Southeast Asia, where markets are expected to expand.

Finally, for Japan Post Service to progressively improve the company's bottom line, I believe that, above all, ensuring the trust of our customers is essential. Reflecting on the delivery delays in our Yu-Pack services, we will unceasingly endeavor to ensure stable and efficient business operations that will reassure our customers and gain their greater trust.

As we move forward with intensified efforts to achieve these goals, your continued support is appreciated.

1. Overview of Operations

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

In addition to operating 1,110 branches and 2,536 collection and delivery centers, Japan Post Service has commissioned Japan Post Network to handle mail and sell postage stamps, postcards and revenue stamps at approximately 24,000 post offices throughout Japan. Besides providing 187,000 post boxes throughout the country, Japan Post Service has also commissioned the sale of various postage stamps and revenue stamps at approximately 144,000 locations in Japan.

Through this network, Japan Post Service delivers approximately 64 million pieces of mail daily to around 31 million homes and businesses throughout Japan (fiscal 2011 figures). In fiscal 2011, Japan Post Service delivered around 19,810 million postal items, around 340 million Yu-Pack items and around 2,620 million Yu-Mail items.

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

1. Postal and Domestic Distribution Business

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

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

*EMS: Express Mail Service

■ Integration of Pelican and Yu-Pack Delivery Services

In July 2010, Japan Post Service took over the Pelican parcel delivery service of JP Express Co., Ltd. (JPEX) and started providing a new Yu-Pack service. We continue to learn from the regrettable delivery delays that occurred immediately after the launch, inconveniencing a large number of customers as well as companies and organizations concerned. We are working tirelessly company-wide to regain customer confidence by initiating every measure possible to prevent recurrence of a similar incident by ensuring stable delivery service operations.

In August last year, we received a business improvement directive regarding this incident from the Minister of Internal Affairs and Communications under the Japan Post Service Law. In November as well as in January and March 2011, we delivered reports to the Minister on the implementation status of the various preventive measures we put in place during the busy year-end season and the

results attained thus far through our efforts to improve the system of managing our delivery service operations.

■ A Larger Net Operating Loss and Initiatives to Improve Earnings

In fiscal 2011, we posted a net operating loss of ¥103.4 billion. This loss was due to a drop in earnings caused by declining mail volumes and a rise in expenses resulting from the integration of JPEX's parcel delivery service.

Our interim results for fiscal 2011 showed a net operating loss of ¥92.8 billion, a year-on-year increase of ¥65.9 billion and ¥28.5 billion more than the figure projected in our fiscal 2011 Business Plan. Under the Japan Post Service Law, the Minister of Internal Affairs and Communications requested a report on this matter in November 2010. In January 2011, we submitted a report to the Minister, providing our detailed analysis of the causes of the increased gap between the planned and actual figures, and describing measures being undertaken to improve our bottom line.

With an eye to maintaining sound management throughout Japan Post Service, we will strive to enhance productivity and increase earnings. More specifically, we aim to generate net operating income from the mail and Yu-Pack businesses combined in our fiscal 2013 full-year results, while working to bring Yu-Pack service itself into the black on a single-year basis in the next five years.

■ New Products and Services

In April 2010, we launched Letter Pack 500 and Letter Pack 350 services, which can carry personal letters that were prohibited in our previous EXPACK500 service. Using these Letter Pack envelopes, customers can send A4-size or smaller documents or items of up to 4 kg at a flat rate.

Recently, we have been experiencing fraud cases in which fake relocation forms were used to intercept letters and parcels. In response, we have reinforced our ID and address check process at the postal counter by asking customers to fill out a relocation form to provide verification of their previous address or send a letter of confirmation to their previous address.



Letter Pack 500

Letter Pack 350

■ Activities for 2011 New Year's Postcards

We have been promoting the traditional end-of-year custom of sending New Year's postcards, based on the main theme that these postcards are "gifts" that give joy to the sender. To promote a "desire to send New Year's postcards," we added to the lineup of 2011 New Year's postcards a series of "fragrant" Disney character postcards that release a flowery scent when a recipient scratches the illustration on the back.

As for our Web-enabled services, we worked to enhance the contents of our special New Year's postcards website (yubin-nenga.jp), offering free downloads of more than 1,000 templates and design elements. We also encouraged the fusion of digital and analog services by providing mixi *Nengajo*, Webpo and *Net de Nengajo* services (the last in collaboration with Yahoo! JAPAN), which enable users to send "real" New Year's postcards to their online, address-unknown friends and acquaintances.

We also continued to sell carbon offset New Year's postcards as a measure to support global warming prevention projects with the goal of helping to achieve a 6% reduction in Japan's greenhouse gas emissions as prescribed by the Kyoto Protocol.



© Disney

■ New Discount Services for EMS and International Registered Mail

In April 2011, we launched new discount services for users of EMS and international registered mail. These discount services are available to frequent EMS users who have sent 6,000 or more items in the previous year and to users of international registered mail, who send a specified number or more of items at one time or in one month using the label we provide for international registered mail.

2. International Logistics Business

In response to expanding needs for international logistics, we are promoting international logistics business in our cargo sector in addition to international mail services. In cooperation with JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd. (JPSGL), which is our subsidiary established in July 2008, we are providing a wide variety of international logistics services ranging from small-lot to large-lot cargo.

During the 2010 Shanghai Expo, we supported international logistics for the Japan Industry Pavilion by transporting huge objects decorating the outer wall of the pavilion, items for exhibition and equipment used in various events.



JAPAN POST SANKYU
GLOBAL LOGISTICS

3. Logistics Business

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

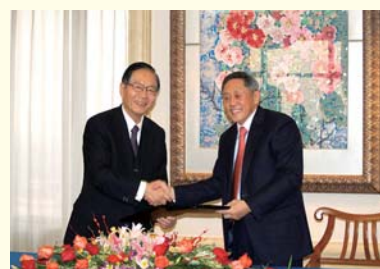
To meet client companies' needs for small-lot, high-frequency logistics services, we are offering Pallet Logistics Service to handle small freight in the unit of roll pallets by utilizing extra capacity in our logistics network.

TOPICS

Tie-up with China Post Group Corp. for Expansion of International Logistics Business

In November 2010, China Post Group Corp., Japan Post Holdings Co., Ltd. and Japan Post Service Co., Ltd. reached an agreement to promote cooperation among the three companies in the mail service and logistics business fields.

In China, the online shopping market and delivery needs across the country have been showing significant growth, fueled by a sharp increase in the number of Internet users. Against this backdrop, a number of Japanese companies are now seeking to expand their international mail order business to China. With the aim of providing support to these retailers, Japan Post Holdings and Japan Post Service will promote strategic business cooperation with China Post Group Corp., which is the only company operating the nationwide network for delivering packages to individuals across China.



2. Products and Services

1. Stamps and Postcards

(As of April 1, 2011)

Products	Description/Features
Ordinary stamps	Standard lineup of postage stamps.
Special stamps	Stamps issued for a special purpose, such as to commemorate an important national event in Japan or a significant campaign in Japan or another country. We also provide greeting postage stamps with designs suitable for use with greeting cards for celebrations and various other occasions.
<i>Furusato</i> stamps	Stamps issued to stimulate interest in specific regions of Japan using regional themes.
Donation-added New Year's postage stamps	These lottery stamps allow individuals who use their own New Year's postcards and letters to participate in the New Year's postcard lottery. There are two types: one for postcards and one for letters.
Frame stamps	An original postage stamp that is designed to look like a photo frame, with its inner blank space available for printing photographs, etc. Frame stamps can be ordered via the Internet or at a post office.
Standard postcards	In addition to the postage mark featuring a house sparrow, other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
New Year's postcards (New Year's lottery postcards)	These postcards are available in a standard format and with a donation added.
Summer greeting postcards (Kamo-Mail)	Postcards for summer greetings are available with standard postage and with a donation added.
Carbon offset postcards	We issue carbon offset New Year's postcards and carbon offset summer greeting postcards with a donation added. Donations are used for global warming prevention projects with the goal of helping to achieve the 6% reduction in Japan's greenhouse gas emissions as prescribed by the Kyoto Protocol.
e-sense cards	Sold for ¥50, these stylish postcards incorporate an illustration or picture provided by a company using the back of the card as advertising space.
Echo-postcards	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5, to ¥45.
Inkjet printing standard postcards	Postcards with a special coating that allows the tiny dots of inkjet printers to dry quickly, permitting the postcards to be used for printing photographs, pictures and other colorful images.
Reply-paid postcards	Two attached postcards folded in half, one to be used by the sender and the other by the recipient to send a reply back to the sender. We also offer unfolded reply-paid postcards. The absence of a fold allows these postcards to be easily used with a printer or copier. These postcards are useful for printing large numbers of invitations to parties, sales events, exhibitions and other events.
Four-surface printing postcards	With four postcards in a single sheet, these postcards are useful for situations where a large number of postcards need to be printed.
Postcards with indentations	These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can tell the front and back and top and bottom of a postcard.
Picture postcards	Picture postcards featuring famous scenery and other sights from all over Japan.
International postcards	These postcards are used for international air mail and have the same rate (¥70) for every foreign country.
Mini-letters (Postal envelopes)	These sheets, in which writing space is three times the size of a postcard, are a combined letter and an envelope. Postage is printed on the front just as with a postcard. Items can be enclosed up to the limit of 25 g.
Letter Pack 500 (Specified postage-paid envelope, with recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items can be sent nationwide for a flat rate (¥500). As the recipient must sign or provide their seal to receive the package, it offers a secure way to send items by post. A tracking service is available to check delivery status.
Letter Pack 350 (Specified postage-paid envelope, without recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items that do not exceed 3cm in depth can be sent nationwide for a flat rate (¥350). This item is placed in the recipient's mail box and is therefore useful for persons who are not often at home to receive mail items. A tracking service is available to check delivery status.
Aerogrammes	The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 g. Space is three times the size of a postcard and postage is printed on the front. Air-mail postage is cheaper (¥90 for anywhere in the world).
Stamp booklets	Stamp booklets have a cover and contain several stamps or several dozen stamps, with an accompanying explanation of each stamp



Special stamps and *furusato* stamps



Letter Pack 500



Letter Pack 350



Stamp booklets

2. Standard Mail Services

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

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

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



Yu-Pack package (large box)



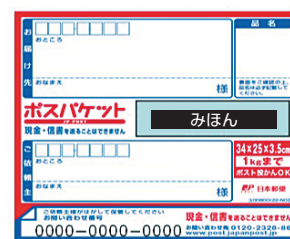
Yu-Pack package (small box)



Yu-Pack package (large pouch)







Yu-Pack package (small pouch)



Pos Packet

4. Major Supplementary Services

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

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

5. Other Services

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

6. International Mail

Services	Description/Features
EMS (Express Mail Service)	Letters and parcels are given the highest priority from the time of receipt through delivery. Status of delivery can be confirmed. (Note)
EMS delivery time guaranteed service (time certain service)	Provides a guarantee for delivery time for EMS mail sent from Tokyo or Osaka to five countries/regions (China, Hong Kong, Singapore, South Korea, Taiwan)
International parcels	Available in three types: small air parcels where speed is the priority, small surface (sea) parcels where low cost is the priority and economy air mail (SAL) small parcels that combine speed and low cost. (Note)
International registered mail	A service to record acceptance and delivery of a mail item and to compensate for actual damage incurred when it gets damaged or lost, to the extent insured by the sender.
Letters	A frequently-used service to deliver letters to overseas addresses. Letters are divided into two categories: standard-size mail having specific weights and sizes and other nonstandard-size mail. This service is available to send letters or documents weighing up to 2 kg by air mail or surface mail. "Letters" include aerogrammes and greeting cards.
Postcards	A service to deliver postcards worldwide at a flat rate of ¥60 for surface mail and ¥70 for air mail.
Printed matter	A low-cost international mail service for periodicals, catalogs, direct marketing materials, business documents and other printed materials. Can be sent as air mail, surface mail or economy air mail (SAL).
Small packet	A service for sending parcels up to 2 kg to overseas destinations. Less expensive than EMS or international small parcels. Can be sent as air mail, surface mail or economy air mail (SAL).
D-mail, P-mail	A special rate is available when a single sender mails a large quantity of pre-sorted items at once at the specified post office (300 or more for printed matters and 50 or more for small packets).

Note: Tracking availability in each country depends on maximum sizes and weights of items sent.



Shipping labels for EMS (Documents)



Shipping labels for EMS (Merchandise)



EMS envelopes



7. Logistics Services

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

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

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

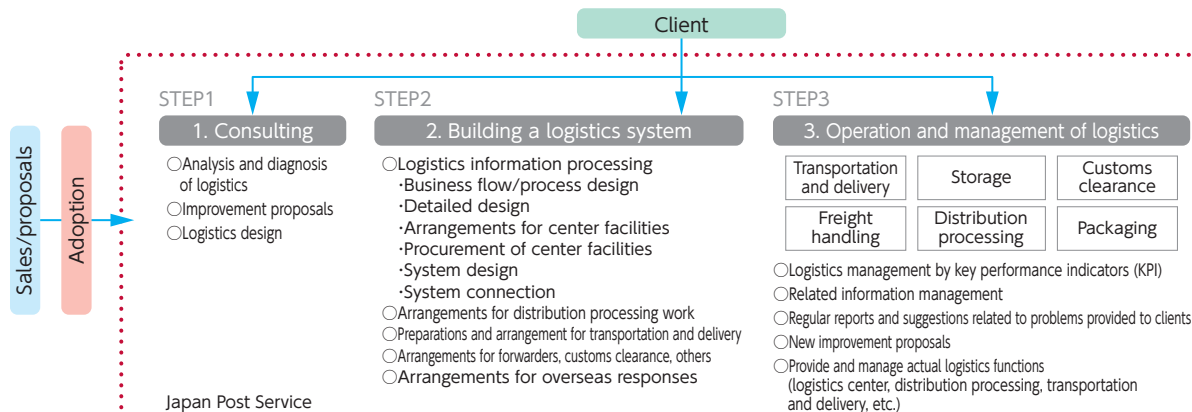
*³ We load and unload, transport, stow, discharge, sort and organize freight during the logistics process.

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

Logistics business services (operations)

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

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



3. Japan Post Service Business Performance

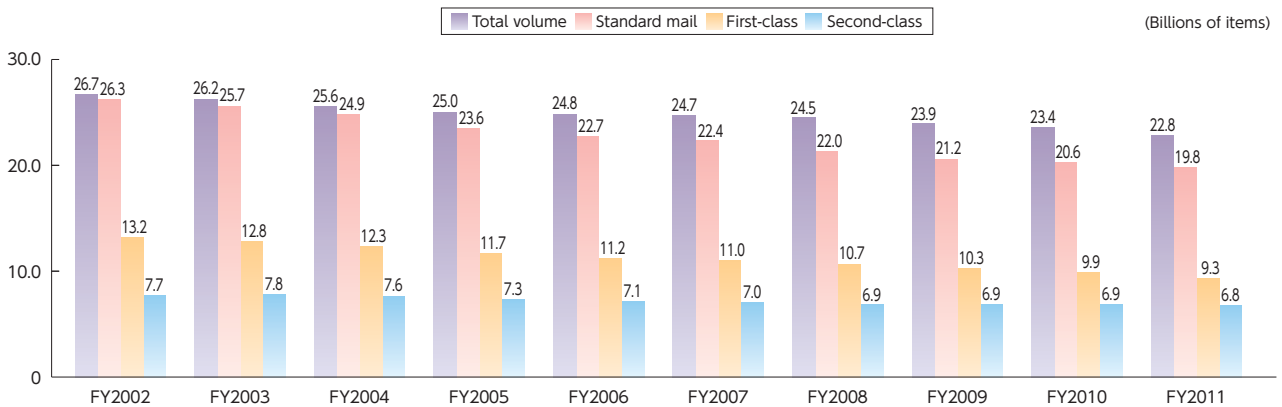
1 Consigned Volume of Mail in Fiscal 2011

(Unit: 1,000 items, %)

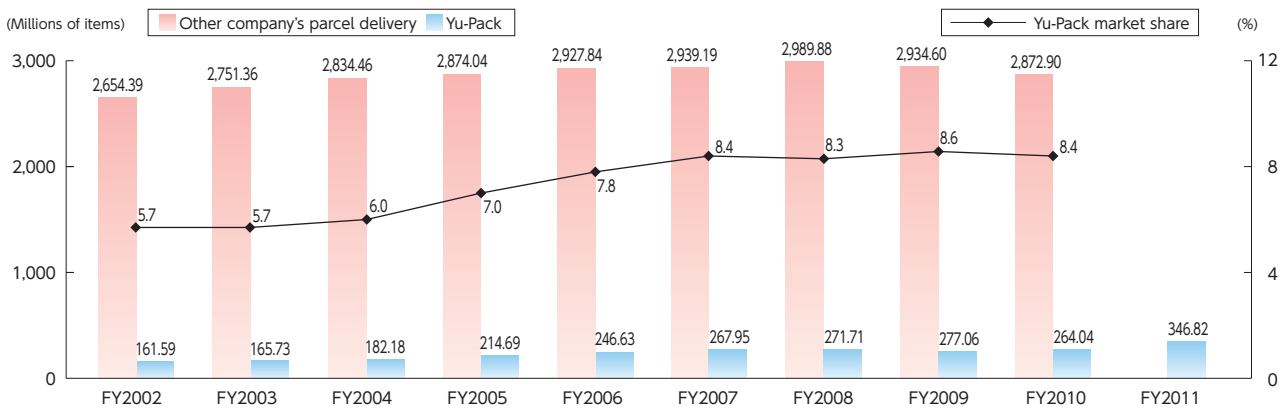
Category	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Volume	Year-on-year change	Volume	Year-on-year change	Volume	Year-on-year change
Total	23,929,935	(2.4)	23,387,415	(2.3)	22,780,497	(2.6)
Mail	21,227,985	(3.5)	20,582,749	(3.0)	19,812,099	(3.7)
Domestic	21,158,740	(3.5)	20,521,443	(3.0)	19,757,937	(3.7)
Standard mail	20,587,495	(3.4)	20,054,205	(2.6)	19,299,629	(3.8)
First-class	10,332,283	(3.7)	9,915,441	(4.0)	9,319,093	(6.0)
Second-class	6,867,688	(1.1)	6,851,784	(0.2)	6,796,473	(0.8)
Third-class	449,705	(15.6)	346,552	(22.9)	297,611	(14.1)
Fourth-class	25,785	(6.1)	24,930	(3.3)	24,016	(3.7)
New Year's postcards	2,900,641	(2.7)	2,856,016	(1.5)	2,812,114	(1.5)
Election mail	11,393	(88.9)	59,481	422.1	50,321	(15.4)
Special mail	571,245	(5.4)	467,238	(18.2)	458,309	(1.9)
International (dispatched)	69,245	(4.8)	61,306	(11.5)	54,162	(11.7)
Standard mail	57,835	(4.9)	50,543	(12.6)	43,885	(13.2)
Parcels	1,567	(0.1)	1,531	(2.3)	1,402	(8.4)
EMS	9,843	(4.6)	9,233	(6.2)	8,874	(3.9)
Parcels	2,701,950	6.9	2,804,666	3.8	2,968,398	5.8
Yu-Pack	277,057	2.0	233,008	(5.8)	343,316	47.3
Yu-Mail	2,424,893	7.5	2,540,631	4.8	2,621,576	3.2
EXPACK			31,026	4.7	3,506	(88.7)

Notes: 1. Sums of individual items may not match totals due to rounding.
 2. The number of Yu-Pack parcels in fiscal 2009 includes EXPACK parcels.
 3. EXPACK service was discontinued at the end of March 2010.

2 Total Consigned Volume of Mail

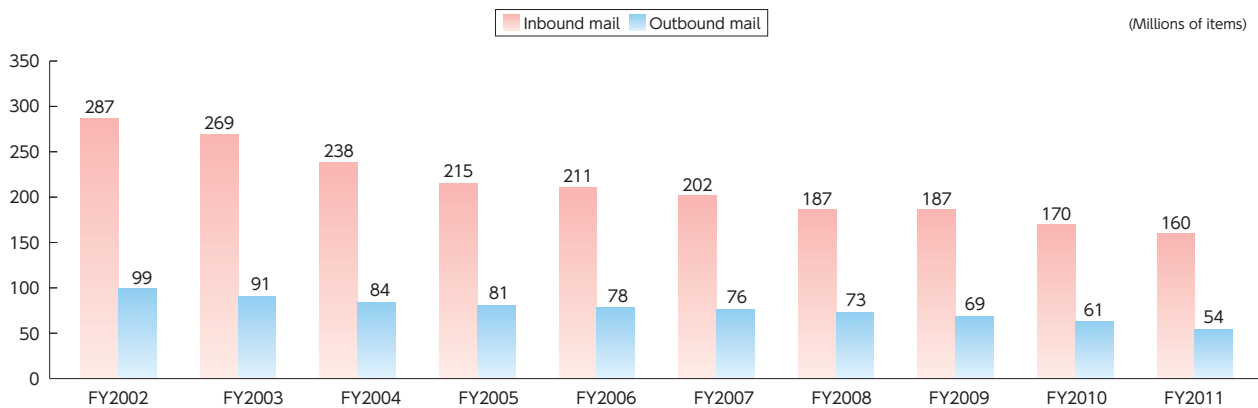


3 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share



Notes: 1. Fiscal 2011 other companies' parcel delivery volume has not yet been announced (as of June 30, 2011).
2. The number of Yu-Pack parcels includes EXPACK parcels.

4 Volume of International Mail



5 Daily Mail Delivery Volume and Points

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

Note: No survey for fiscal 2010 has been implemented.

6 Postal Service Quality Survey (Days to Arrival)

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

All branch offices display a Postal Delivery Time Table (Service

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

Survey results in fiscal 2011 were as follows.

■ Nationwide Achievement Rate of Average Days to Delivery

	Fiscal 2009	Year-on-year change	Fiscal 2010	Year-on-year change	Fiscal 2011	Year-on-year change
Nationwide average	98.3%	0.5%	98.5%	0.2%	98.5%	0.0%
For mail within the same prefecture	98.6%	0.3%	98.7%	0.1%	98.9%	0.2%
For mail to a neighboring prefecture	97.8%	0.8%	98.2%	0.4%	98.0%	(0.2%)
For mail to other prefectures	98.1%	0.7%	98.3%	0.2%	98.0%	(0.3%)

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

■ Documentary Stamp Sales

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

(Millions of yen)

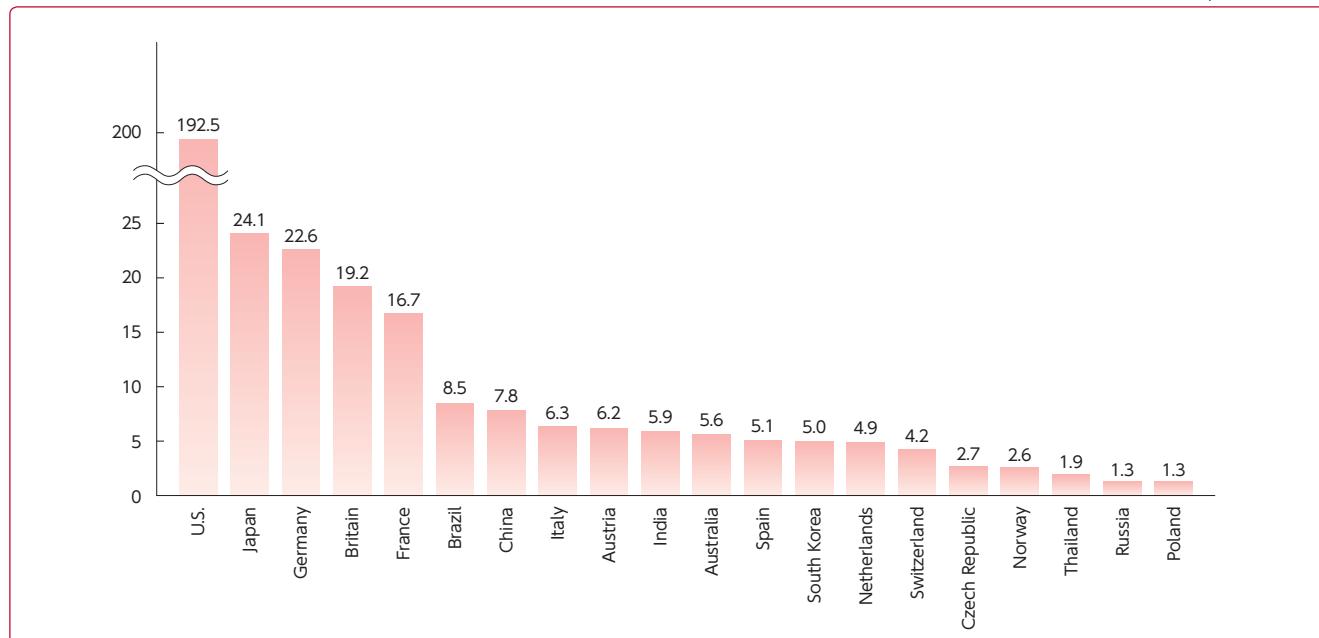
Category	Fiscal 2009	Fiscal 2010	Fiscal 2011
Revenue stamps	803,307	771,644	745,239
Automobile weight tax documentary stamps	1,121,981	996,348	789,683
Unemployment insurance documentary stamps	506	452	449
Health insurance documentary stamps	2,912	2,656	3,271
Patent documentary stamps	126,493	101,638	102,906
Registration documentary stamps	65,590	53,273	46,628
Total	2,120,789	1,926,011	1,688,176

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

Reference: Postal Services in Other Countries

1. Volume of Mail Received (Top 20 Countries in 2008)

(Billions of items)



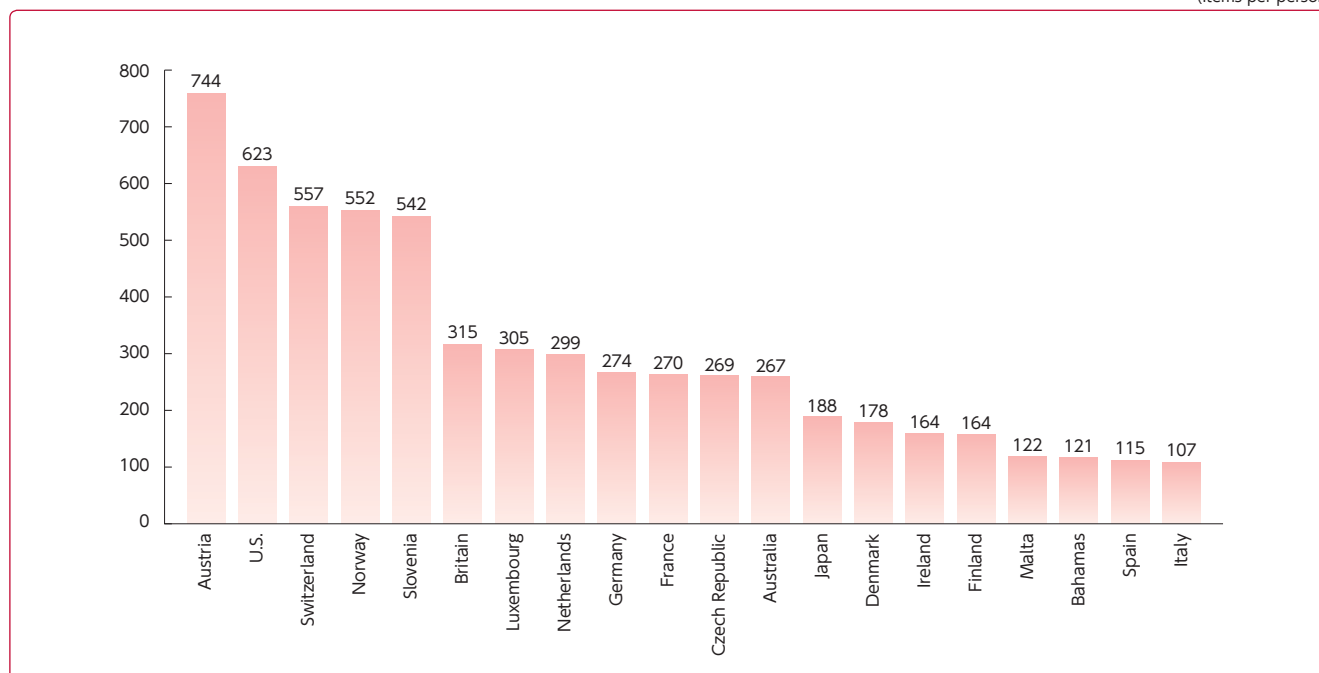
Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2008).

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

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

2. Annual Mail Volume Per Capita (Top 20 Countries in 2008)

(Items per person)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2008).

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

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

Reference: International Comparison of Postage Rates

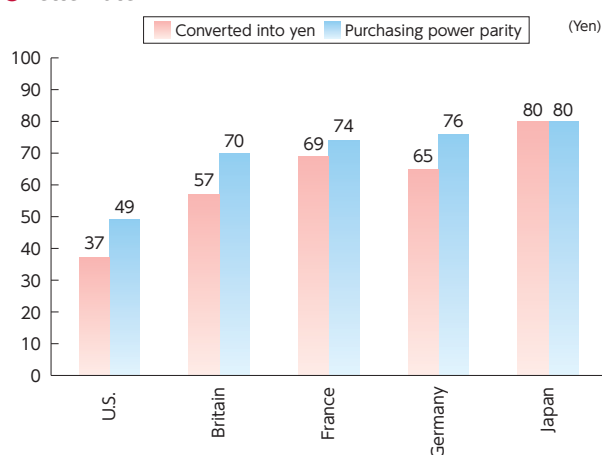
■ Comparison of Domestic Postage Rates

Based on the conversion of foreign postage rates into yen, domestic postage rates in Japan are generally at around the same level as major European countries (Britain, France, Germany) for letters. Postcard rates are lower in Japan.

In the United States, postage rates for both domestic letters and postcards are lower than in Japan. The reason is that the volumes of mail handled in the United States are approximately 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

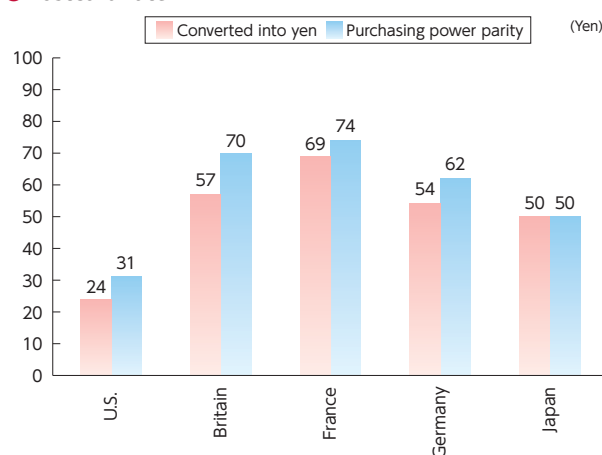
● Letter rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.44	£0.41	€0.58	€0.55	¥80
Yen equivalent	¥37	¥57	¥69	¥65	¥80
Purchasing power parity	¥49	¥70	¥74	¥76	¥80

Notes: 1. Only Japanese postage rates include consumption tax.
2. Yen conversions use the exchange rate as of March 31, 2011 (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 (2010 average OECD Main Economic Indicators).

● Postcard rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.28	£0.41	€0.58	€0.45	¥50
Yen equivalent	¥24	¥57	¥69	¥54	¥50
Purchasing power parity	¥31	¥70	¥74	¥62	¥50

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥84.15	¥111.45
£1 (Britain)	¥137.89	¥169.72
€1 (France)	¥119.07	¥127.76
€1 (Germany)	¥119.07	¥138.63

■ Comparison of International (Air) Postage Rates

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

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

	Letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	—	¥110	—	¥70
U.S. to Japan	\$0.98	¥82	\$0.98	¥82
Britain to Japan	£1.46	¥201	£0.67	¥92
France to Japan	€1.75	¥208	€0.87	¥104
Germany to Japan	€1.45	¥173	€0.75	¥89

Note: Yen conversions use the exchange rate as of March 31, 2011 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

3. Operations of Japan Post Bank



Shigeo Kawa
Director, Chairman
Japan Post Bank Co., Ltd.

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

Message from the Company



Review of Fiscal 2011

We would like to convey our deepest sympathy to persons who suffered from the Great East Japan Earthquake in March 2011 as well as to those with connections to the victims. We are hoping for the earliest possible recovery.

Japan Post Bank Co., Ltd. will make its utmost efforts to be of help to persons impacted by the earthquake while also strengthening its management foundation and working to provide even better products and services to serve as “the most convenient and dependable bank in Japan.”

In fiscal 2011, we worked to strengthen our management foundation under a business model that aims at “securing stable earnings,” “emphasizing our public nature and regional characteristics,” and “integrating operations with Japan Post Network.” Specifically, Japan Post Bank made efforts to enhance its internal management systems, advance its sales strategy, augment its asset and liability management (ALM) strategy and strengthen management systems. These initiatives are predicated on the fundamental concept of thorough compliance.

First, in our effort to enhance our internal management systems, we strengthened our compliance and systems for protecting customer assets and information as well as raised the quality and promoted reforms of banking clerical operations.

Next, in our effort to advance our sales strategy, we worked to strengthen our sales system through such measures as setting up area headquarters at 13 locations across Japan, strengthening our partnership with Japan Post Network, and fortifying management at branches. Additionally, we began offering the JP BANK JCB Card EXTAGE, a credit card targeting younger-aged customers. We also strengthened our advertising campaigns through initiatives that included the start of national broadcasts of the *Nippon Zenkoku, Yucho Kazoku* series of TV commercials.

In our efforts to augment our ALM strategy, while appropriately controlling interest risk we sought to secure stable periodical income by dispersing risk and diversifying sources of revenue through the diversification of investment methods. At the same time, we invested in Japanese local government bonds, Japanese corporate bonds and foreign bonds as part of efforts to further disperse risk and diversify sources of revenue.

As specific initiatives to strengthen our management systems, we fortified and expanded our human resources education and implemented training based on employee job levels.

As a result of these efforts, despite such adverse factors as a decline in deposit balances, we worked to secure investment income and recorded net income of ¥316.3 billion in fiscal 2011, which surpassed our initial target.

Japan Post Bank responded to the Great East Japan Earthquake by making its utmost efforts to provide services to customers. These efforts included offering emergency services to persons who lost their bank deposit passbooks in the disaster, providing a free remittance service for disaster relief funds and temporarily operating on Saturdays and Sundays in the disaster-stricken areas.

Japan Post Bank has positioned corporate social responsibility as one of our top management issues and has strengthened partnerships with the other companies in the Japan Post Group aimed at becoming the most convenient and dependable bank in Japan while fulfilling our corporate social responsibility.

Issues for the Future

Japan Post Bank has designated fiscal 2012 as the year for steadily executing measures to "strengthen our management foundation" and will implement the following measures predicated on the fundamental concept of thorough compliance.

First, in internal management systems, we will continue

working to strengthen management systems for compliance and the protection of customer assets and information, and strive to regain the trust of our customers.

Next, we will strengthen our sales systems while implementing measures to raise profitability and cultivating new customers. Specifically, we will further advance the functions of area headquarters and promote unified business development with Japan Post Network. We will also work to maintain deposits by continuing to provide a service that offers preferential interest rates on *TEIGAKU* deposits. Concurrently, we will strengthen our customer base by fortifying our approach to the younger-aged market segment and by implementing proactive initiatives for corporate sales. In addition, we will support the development of local communities and raise our corporate brand through such activities as sponsoring the JAPAN U-12 FOOTBALL CHAMPIONSHIP as well as continuing the *Nippon Zenkoku, Yucho Kazoku* series of TV commercials and commencing *Yucho LETTER for LINKS*, an FM radio program based on the theme "Ties of the Heart."

Turning to investment operations, we will diversify assets and secure more stable periodical income by diversifying investment methods based on appropriate risk control through more sophisticated ALM. Moreover, while raising the sophistication of our risk management we will actively promote operations that contribute to the vitalization of local economies.

Going forward, the management and employees of Japan Post Bank will continue to make their utmost concerted efforts to realize our goals and we ask for your continued support.

1. Overview of Operations

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

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

1. Retail products and services

■ Basic services

Japan Post Bank branches and post offices nationwide offer basic financial products and services that include such liquid deposits in the form of ordinary deposits and savings deposits; time and savings deposits such as time deposits and *TEIGAKU* deposits; and transfer and settlement services that include fund transfers and remittances. Although deposits at Japan Post Bank are no longer covered by government payment guarantees following privatization, principal of up to ¥10 million in addition to interest are guaranteed through a deposit insurance scheme. At the end of March 2011, Japan Post Bank’s total deposits from customers in Japan amounted to ¥175 trillion.

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

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

■ Enhancing products and services

During fiscal 2011, we began offering the following new products and services:

● Debut of JP BANK JCB Card EXTAGE

In February 2011, we started offering a combined ATM/credit card, JP BANK JCB Card EXTAGE, targeting customers aged 18 to 29.

New, first-time members are given the privilege of not being charged with the annual membership fee for five years and enjoy extra points for shopping, which is three times and 1.5 times the points given to members of our standard credit cards for the first three months and in and after the fourth month, respectively (the latter privilege terminates if the amount paid using this credit card during the first year is less than ¥200,000, and points to be given will be the same as standard credit card members). They also receive preferential services when shopping at JCB ORIGINAL SERIES partner shops, which include popular apparel shops and restaurants.



JP BANK JCB Card EXTAGE

TOPICS

Running the “Freshers Campaign”

In February through to May 2011, we ran the “Freshers Campaign,” giving out special goods featuring *Yucho Kazoku* (*Yucho* Family) to a total of 14,000 prizewinners.



Nippon Zenkoku, Yucho Kazoku, a Series of TV Commercials for Viewers around the Country

In August 2010, we launched a series of TV commercials for broadcast across the country, *Nippon Zenkoku, Yucho Kazoku* (“Anywhere in Japan, we are *Yucho* family”), centered around the concept of creating a bond of happiness.

This commercial series features a humorous and heart-warming story of a young man, who has come to work in a big city, and his ties with people around him and his family back in his hometown. The story tells the significance of having a bond with someone and how we could help to build this bond of happiness through our services. These TV commercials show our extensive, convenient and friendly line of products and services for people of all generations, available at 24,000 post offices and our branches throughout the country.

Upon the launch of this TV commercial series, we also opened a special page, *Yucho Kazoku*, on our website.



TOPICS

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

We sponsor an FM radio program, *Yucho LETTER for LINKS*, which went on air for the first time on May 1, 2011 in 38 member radio stations of the Japan FM Network across the country, including TOKYO FM.

With "Ties of the Heart" as its main theme, this heart-warming weekly program opens with a letter from someone and goes on to explore the origin of his or her ties of the heart. Those memories and encounters let us discover again the significance of being connected with someone and the strength of our words.

We hope to bring joy to listeners.

Yucho LETTER for LINKS

Presenter: Michiko Hada
Broadcast on: Sundays from 15:00 to 15:30
Official website: <http://www.tfm.co.jp/links/>
Also available on podcast.



2. Investment

Interest income, primarily from investment in Japanese government bonds, carries a large amount of weight in our current earnings structure. Looking ahead, we need to secure stable periodical income to attain and maintain sound management. In doing so, we also need to implement an investment business model designed to disperse risk and diversify sources of revenue through adoption of more diverse investment methods, while performing appropriate control of interest risk.

ALM in Japan Post Bank consists of securing more stable periodical profit or loss through integrated management of our asset and liability portfolio; and gaining market and customer confidence by improving the net asset value, while applying integrated management of risk associated with fluctuations in fair values of our asset and liability portfolio.

Our investment policy is to secure overall income while adopting appropriate risk control. More specifically, we conducted adequate management of the duration of managed assets based on liabilities and a range of plausible interest scenarios, and strived to secure a stable interest spread between assets and liabilities, which is our principal source of revenue, by hedging certain interest rate risk with interest rate swaps.

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

3. Community service

Japan Post Bank considers corporate social responsibility (CSR) to be a management issue of the highest priority.

We are committed to fulfilling that responsibility by continuing to strive to be "the most convenient and dependable bank in Japan."

■ Holding the original piggy bank design contest

For our 35th original piggy bank design contest, we received 782,463 applications from 11,905 elementary schools across Japan from August 23 to September 30, 2010. These joyous and amazing piggy banks went through the preliminary and secondary judging, and award winners were picked in December 2010.



Piggy bank that won the Minister of Education, Culture, Sports, Science and Technology Incentive Award (first grade group)

■ Special Fee Discount for the Visually Impaired Customers

In January 2011, we started offering a special discount on the money transfer fees for visually impaired customers. By showing their physical disability certificates at the counter, they will be charged a lower commission fee, which is the same as the one charged when transferring money using ATMs.

TOPICS

Support for the 35th JAPAN U-12 FOOTBALL CHAMPIONSHIP

With the aim of supporting children with great promise, and to foster their sound physical and mental growth and development, we are providing support to the ongoing 35th JAPAN Under-12 FOOTBALL CHAMPIONSHIP.

A regional preliminary competition was held in each prefecture during the period from April to June 2011. The national tournament will be held at the Susono Soccer Field in Gotenba Kogen Tokino Sumika, Shizuoka Prefecture, and at other venues in August 2011.





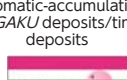
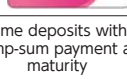

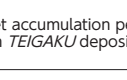
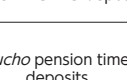
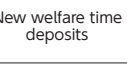



A poster showing our support to the 35th JAPAN U-12 FOOTBALL CHAMPIONSHIP

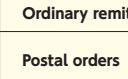
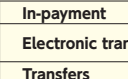


2. Products and Services

1. Deposits

(As of July 1, 2011)

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

2. Domestic Remittances

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

3. International Remittances

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

4. Individual Loans

Product or service	Description
Loan intermediary service	Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans and card loans offered by Suruga Bank Ltd. based on an alliance with this bank. Customers can apply for these loans at select Japan Post Bank branches, by telephone or via the Internet.
Yume Butai home loan	This line features 16 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, providing funds necessary to cover such expenses as family members' nursing care.
Shitaku Card Loan	Borrowing and repayment can be made directly from ATMs with this card loan. No collateral is needed, and loans of up to ¥5 million are available (¥3 million for the first application).

5. Investment Products

Product or service	Description
Japanese government bonds (JGBs)	Sales of JGBs to be sold (two-, five- and ten-year maturities) and nonmarketable JGBs for individual investors (three- and five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds
Investment trusts	Sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions
Variable annuities	Intermediary services for sales of insurance products such as variable annuities

■ Customer seminars to assist in asset accumulation

In addition to holding seminars on investment trusts and variable annuities, including such topics as the investment environment, investment awareness and investment reporting, we offer a variety of seminars such as large-scale sessions with outside economic analysts and other experts and hands-on seminars utilizing portfolio games in order to provide useful information for asset accumulation and asset management by customers. Customer seminars, which are held at Japan Post Bank branches and post offices nationwide, provide a valuable opportunity to listen to explanations from financial experts, and they are consistently attended by large customer audiences. For more information about upcoming seminars, visit the Japan Post Bank website.



A customer seminar

6. Credit and Debit Cards

Product or service	Description
Credit cards (JP BANK CARD)	Japan Post Bank issues the JP BANK CARD, which is both an ATM card and a credit card (available in three types: Visa, MasterCard and JCB). In addition, we started offering in February 2011 another combo card, JP BANK JCB Card EXTAGE, for customers aged 18 to 29. 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.
Debit cards	After customers scan their debit card using a dedicated terminal and enter a personal identification number at such locations as retail electronics stores and supermarkets, purchase amounts are immediately debited from their general account (subject to an upper limit).



JP BANK VISA Card



JP BANK MasterCard



JP BANK JCB Card



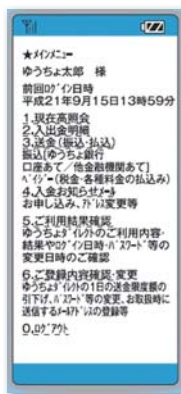
JP BANK JCB Card EXTAGE

7. Internet Banking Services

Product or service	Description
Yucho Direct (Internet, mobile phone and telephone banking services)	This service allows customers to use a PC, mobile phone, telephone or facsimile machine to make deposits to <i>TEIGAKU</i> deposits and time deposits used as collateral, initiate electronic transfers (between Japan Post Bank accounts), transfer funds to another financial institution and verify account deposit and withdrawal transactions.
Yucho Pay-Easy Service	This service enables taxes and various types of fees to be paid through ATMs and <i>Yucho Direct</i> (Internet and mobile phone banking services). The service also immediately reports data concerning completed payments to the recipient financial institution.
Toshin (investment trust) Direct	We sell investment trusts via the Internet (PCs).



Yucho Direct
(Internet banking services)



Yucho Direct
(Mobile phone banking services)



Toshin Direct
(Providing information for investment trusts)

8. Other Services

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

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

9. Services Available in Braille

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

3. Japan Post Bank Business Performance

1 Key Financial Indicators

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Revenue	¥ 2,488,552	¥ 2,207,942	¥ 2,205,344
Operating profit (before provision for [reversal of] general reserve for possible loan losses)	480,602	489,157	508,753
Net operating profit	480,602	489,032	508,362
Net ordinary income	385,243	494,252	526,550
Net income	229,363	296,758	316,329
Common stock	3,500,000	3,500,000	3,500,000
Shares outstanding (thousands of shares)	150,000	150,000	150,000
Net assets	8,179,574	8,839,547	9,093,634
Total assets	196,480,796	194,678,352	193,443,350
Deposits	177,479,840	175,797,715	174,653,220
Loans	4,031,587	4,022,547	4,238,772
Securities	173,551,137	178,230,687	175,026,411
Capital adequacy ratio (non-consolidated, domestic standard) (%)	92.09	91.62	74.82
Dividend payout ratio (%)	24.98	24.96	25.00
Employees (persons)	11,675	12,060	12,351

Notes:

- Deposits are as defined by the corresponding liability item in the Ordinance for Enforcement of Banking Act.
- The balance of deposits including accrued interest for the current period is ¥175,304,051 million. (¥176,468,699 million for fiscal 2010 and ¥178,050,017 million for fiscal 2009).
- The capital adequacy ratio is calculated based on standards stipulated by Article 14-2 of the Banking Act (Financial Services Agency Notification No. 19, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. Japan Post Bank adheres to capital adequacy standards applicable in Japan.
- The number of employees excludes Japan Post Bank employees assigned to other companies by Japan Post Bank but includes employees assigned to Japan Post Bank by other companies. The figures do not include short-term contract and part-time employees.

2 Balances by Type of Deposit

1. At End of Fiscal Period

		(Millions of yen, %)					
		March 31, 2009		March 31, 2010		March 31, 2011	
		Amount	% of total	Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	59,660,898	33.61	57,113,869	32.48	59,846,906	34.26
	Transfer deposits	7,269,971	4.09	7,597,731	4.32	8,714,719	4.98
	Ordinary deposits and others	51,924,342	29.25	49,087,540	27.92	50,709,948	29.03
	Savings deposits	466,585	0.26	428,597	0.24	422,238	0.24
	Time and savings deposits	117,488,226	66.19	118,381,289	67.33	114,504,523	65.56
	Time deposits and others	18,698,993	10.53	27,475,685	15.62	22,005,855	12.59
	TEIGAKU deposits and others	98,738,612	55.63	90,891,424	51.70	92,494,319	52.95
	Other deposits	330,715	0.18	302,556	0.17	301,789	0.17
	Sub-total	177,479,840	100.00	175,797,715	100.00	174,653,220	100.00
	Negotiable certificates of deposit	-	-	-	-	-	-
Total	177,479,840	100.00	175,797,715	100.00	174,653,220	100.00	
International operations	Total	-	-	-	-	-	-
Total	177,479,840	100.00	175,797,715	100.00	174,653,220	100.00	
Deposits including accrued interest		178,050,017		176,468,699		175,304,051	

Notes:

- Liquid deposits = Transfer deposits + ordinary deposits + savings deposits
Ordinary deposits and others = Ordinary deposits + special savings deposits (equivalent to ordinary postal savings)
- Time and savings deposits = Time deposits and others + TEIGAKU deposits and others + special savings deposits (accumulation postal savings equivalent + housing accumulation postal savings equivalent + education accumulation postal savings equivalent)
Time deposits and others = Time deposits + special savings deposits (time savings equivalent)
TEIGAKU deposits and others = TEIGAKU deposits + special savings deposits (TEIGAKU savings equivalent)
- "Transfer deposits" correspond to current deposits, and "TEIGAKU deposits" correspond to "other deposits" under liabilities as defined by the Ordinance for Enforcement of the Banking Act.
- Special savings deposits are deposits with banks from the Management Organization for Postal Savings and Postal Life Insurance and represent the postal savings of this organization that were passed on to Japan Post Bank from Japan Post.
- Special savings deposits (equivalent to ordinary postal savings) are the portion of deposits from the Management Organization for Postal Savings and Postal Life Insurance representing matured postal savings for time savings. TEIGAKU savings, accumulation postal savings, housing accumulation postal savings and education accumulation postal savings that were passed on to this organization from the former Japan Post.

2. Average Balances

		(Millions of yen, %)					
		Fiscal 2009		Fiscal 2010		Fiscal 2011	
		Amount	% of total	Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	62,009,526	34.53	58,514,727	33.03	59,037,126	33.59
	Transfer deposits	7,342,643	4.08	7,480,475	4.22	8,252,069	4.69
	Ordinary deposits and others	54,176,865	30.16	50,589,235	28.56	50,360,275	28.66
	Savings deposits	490,018	0.27	445,016	0.25	424,781	0.24
	Time and savings deposits	117,184,987	65.25	118,321,109	66.80	116,377,366	66.23
	Time deposits and others	14,715,741	8.19	23,381,719	13.20	24,842,977	14.13
	TEIGAKU deposits and others	102,378,999	57.01	94,912,487	53.58	91,527,146	52.08
	Other deposits	378,761	0.21	279,331	0.15	298,601	0.16
	Sub-total	179,573,276	100.00	177,115,167	100.00	175,713,095	100.00
	Negotiable certificates of deposit	-	-	-	-	-	-
Total	179,573,276	100.00	177,115,167	100.00	175,713,095	100.00	
International operations	Total	-	-	-	-	-	-
Total	179,573,276	100.00	177,115,167	100.00	175,713,095	100.00	
Deposits including accrued interest		180,149,837		177,722,433		176,364,573	

3 Loans by Category

1. At End of Fiscal Period

	(Millions of yen)		
	March 31, 2009	March 31, 2010	March 31, 2011
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,790,537	3,749,285	3,973,296
Overdrafts	241,050	238,741	222,961
Notes discounted	—	—	—
Sub-total	4,031,587	3,988,027	4,196,258
International operations			
Loans on notes	—	—	—
Loans on deeds	—	34,520	42,514
Overdrafts	—	—	—
Notes discounted	—	—	—
Sub-total	—	34,520	42,514
Total	4,031,587	4,022,547	4,238,772

2. Average Balances

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,573,023	3,716,669	4,011,813
Overdrafts	247,793	233,365	224,029
Notes discounted	—	—	—
Sub-total	3,820,816	3,950,035	4,235,842
International operations			
Loans on notes	—	—	—
Loans on deeds	—	27,758	35,833
Overdrafts	—	—	—
Notes discounted	—	—	—
Sub-total	—	27,758	35,833
Total	3,820,816	3,977,793	4,271,676

4 Balance by Type of Securities

1. At End of Fiscal Period

	(Millions of yen)		
	March 31, 2009	March 31, 2010	March 31, 2011
Domestic operations			
Japanese government bonds	155,490,155	155,891,563	146,460,963
Japanese local government bonds	6,177,212	5,289,202	5,658,837
Commercial paper	542,904	364,959	102,999
Japanese corporate bonds	9,880,462	11,916,270	12,804,753
Stocks	900	900	900
Others	—	—	29,916
Sub-total	172,091,634	173,462,895	165,058,368
International operations			
Others	1,459,503	4,767,791	9,968,043
Foreign bonds	1,284,502	3,714,033	7,374,930
Foreign stocks	—	—	—
Sub-total	1,459,503	4,767,791	9,968,043
Total	173,551,137	178,230,687	175,026,411

2. Average Balances

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Domestic operations			
Japanese government bonds	157,557,897	155,881,773	148,115,419
Japanese local government bonds	6,861,037	5,761,489	5,505,745
Commercial paper	437,789	394,109	314,284
Japanese corporate bonds	8,557,389	10,914,713	12,542,962
Stocks	833	900	900
Others	—	—	15,040
Sub-total	173,414,947	172,952,986	166,494,352
International operations			
Others	879,468	2,927,861	7,631,071
Foreign bonds	829,676	2,411,658	5,745,404
Foreign stocks	—	—	—
Sub-total	879,468	2,927,861	7,631,071
Total	174,294,416	175,880,847	174,125,423

5 Over-the-Counter Sales of Japanese Government Bonds

	(Millions of yen)		
	Fiscal 2009	Fiscal 2010	Fiscal 2011
Long-term bonds	90,731	94,120	84,372
Medium-term bonds	806,190	382,707	253,713
Bonds for individuals	285,003	152,949	123,573
Total	1,181,926	629,777	461,658

6 Domestic Exchanges

	(Thousands of remittances, millions of yen)					
	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Remittances	Amount	Remittances	Amount	Remittances	Amount
Sent (transfer)	1,668	4,215,404	9,994	10,777,302	13,937	12,917,217
Received (transfer)	1,145	1,464,417	12,741	7,482,213	23,412	9,715,296

Note:

For the period from April 1, 2008, to December 30, 2008, domestic exchange balances reflected mutual remittances services between Japan Post Bank and other financial institutions. Effective January 5, 2009, the Bank became a member of the Zengin Data Telecommunication System (Zengin System), and all remittances are now transferred through that system. Accordingly, the number of remittances and amount of domestic exchanges with other financial institutions for the fiscal year ended March 31, 2009 are the sum of the mutual remittances services and the Zengin System remittances.

7 Transfer Deposits

(Thousands of remittances, millions of yen)

	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Remittances	Amount	Remittances	Amount	Remittances	Amount
In-payment	1,236,168	68,146,219	1,215,514	59,349,149	1,197,860	55,567,603
Transfers	87,756	62,125,079	93,288	52,372,599	97,914	52,221,009
Out-payment	131,003	67,532,728	130,615	56,384,340	125,914	50,583,116

Note: Figures for the period from April 1, 2008, to December 30, 2008 include the aforementioned 6. Domestic Exchanges.

8 Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

(Thousands of remittances, millions of yen)

	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Remittances	Amount	Remittances	Amount	Remittances	Amount
Ordinary remittances	4,359	64,312	3,772	59,714	2,384	44,200
Postal orders (TEIGAKU KOGAWASE)	24,079	11,314	19,647	10,381	17,367	9,369

9 Foreign Exchanges

(Thousands of remittances, millions of U.S. dollars)

	Fiscal 2009		Fiscal 2010		Fiscal 2011	
	Remittances	Amount	Remittances	Amount	Remittances	Amount
	427	1,114	402	1,037	405	1,303

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

10 Investment Trust Sales (Contract Basis)

(Thousands of contracts, millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Number of contracts	1,598	1,279	1,345
Sales value	171,395	133,885	172,714

(Thousands of accounts, millions of yen)

	March 31, 2009	March 31, 2010	March 31, 2011
Number of investment trust accounts	551	577	604
Net assets	815,666	980,930	960,336

Note: Investment trust sales figures have been rounded off.

11 Other Businesses

Credit Cards

(Thousands of cards)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Cards issued	376	837	647

(Thousands of cards)

	March 31, 2009	March 31, 2010	March 31, 2011
Total cards issued (outstanding)	366	1,136	1,686

Mortgage Loans

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
New loans (as intermediary)	56,247	74,045	61,865

(Millions of yen)

	March 31, 2009	March 31, 2010	March 31, 2011
Total new loans (as intermediary)	56,247	130,293	192,158

Variable Annuity Policies

(Policies, millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Number of policies	3,786	6,216	8,022
Value of policies	17,615	31,359	40,866

(Policies, millions of yen)

	March 31, 2009	March 31, 2010	March 31, 2011
Total policies	3,786	10,002	18,024
Total value of policies	17,615	48,974	89,840

Notes:

1. Japan Post Bank launched the credit card business on May 1, 2008, the mortgage loan intermediary business on May 12, 2008, and the variable annuity business on May 29, 2008.
2. Japan Post Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

4. Operations of Japan Post Insurance



Josuke Shindo
Director and Chairman, CEO
Japan Post Insurance Co., Ltd.

Izumi Yamashita
Director and President, COO
Japan Post Insurance Co., Ltd.

Message from the Company



Review of Fiscal 2011

We would like to express our sincere sympathy to the victims of the March 2011 Great East Japan Earthquake and to persons related to the victims.

We sincerely hope for the quickest possible recovery and reconstruction of the disaster areas and also wish for the well-being of everyone affected.

Looking back at fiscal 2011, although the Japanese economy showed signs of a self-sustaining recovery, there was a heightened sense of uncertainty about the future of the economy due to a decline in production activities and worsening corporate and household sentiment due to the impact of the Great East Japan Earthquake.

Under these economic circumstances, despite a slight decline in the insured amount from the previous fiscal year, Japan Post Insurance recorded growth in the number of new individual insurance policies for the third consecutive year, thereby sustaining a moderate recovery in sales of these policies. We attribute this favorable performance to the

establishment of a sales promotion system in cooperation with Japan Post Network.

In asset management operations, despite encountering such headwinds as low interest rates, the persistently strong yen and low stock prices, Japan Post Insurance secured stable profits by undertaking asset management based on yen-denominated interest-bearing assets with a high affinity to insurance liabilities.

As a result of these efforts, in fiscal 2011 Japan Post Insurance recorded increased profits, with net ordinary income of ¥422.2 billion and net income of ¥77.2 billion (compared with net ordinary income of ¥379.6 billion and net income of ¥70.1 billion in fiscal 2010). We continue to maintain a strong financial base, as evidenced by a solvency margin ratio of 1,821.6% (solvency margin ratio of 1,153.9% under the new standard effective from the end of fiscal 2012) and real net assets of ¥6,905.6 billion.

We believe these results were generally favorable overall when taking into account the ongoing harsh external environment, which included the need to make provisions to the reserve for outstanding claims in expectation

of approximately ¥60.0 billion for claims payments associated with the Great East Japan Earthquake. Our solid performance was due to everyone's support and we express our deepest appreciation to everybody for their outstanding efforts.

Issues for the Future

In fiscal 2012, we will focus on making quick and reliable responses, which includes paying insurance benefits to customers who suffered damages in the Great East Japan Earthquake. Concurrently, we will undertake various initiatives focused on "five pillars" that we have designated as our highest priority management issues, namely: 1) increase new policies by raising productivity through expanded points of customer contact; 2) reform administrative operations and IT systems with the aim of raising the level of customer service; 3) maintain the soundness of our financial foundation; 4) enhance and strengthen our management control system; and 5) create an open organization and cultivate human resources.

Among these five initiatives, in our efforts to increase new policies, we are focusing especially on improving customer service based on a stronger partnership with Japan Post Network, our main sales channel. As part of these efforts, we are deploying our New Policy Processing System to reduce the burden on customers when they fill out insurance application forms and to speed up administrative work related to the underwriting process. This system will be gradually phased-in on a nationwide basis from October 2010 through August 2011. Japan Post Insurance will also offer "Comprehensive and Heartfelt

Services" (activities for following up on the contents of policies), which we continuously have implemented since fiscal 2011. Moreover, to better respond to customer needs, we will offer new products and services by raising insurance enrollment amount limits and improving existing products and services.

We are also promoting comprehensive reforms of administrative operations and IT systems with initiatives that include establishing systems and infrastructures. These reforms are aimed at providing customers with accurate, fast and highly convenient services, beginning with appropriate insurance benefit payments, which is the most crucial mission of a life insurance company, in addition to services in underwriting and policy management.

With all employees working in concert, Japan Post Insurance will continue to carry out its inherited social mission of "providing basic coverage for the people of Japan with insurance using simple procedures," which was the original goal of Postal Life Insurance when it was created in 1916. At the same time, we are guided by our management philosophy of moving forward with our customers while serving as "Japan's most familiar and trusted insurance company." In the future as well, we will also implement thorough compliance while cooperating with NHK (Japan Broadcasting Corporation) and Japan Radio-taiso Federation, a non-profit organization (NPO), to popularize exercise programs broadcast by radio, thereby supporting people's efforts to maintain their health as part of our corporate social responsibility (CSR) efforts.

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

1. Overview of Operations

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

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

1. Provision of Insurance Products and Services

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

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

(1) Agents

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

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

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

(2) Directly managed sales offices

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

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

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

2. Enhancing Products and Services

■ Simplifying policy information and policy agreement pamphlets

In April 2010, we launched an effort to simplify policy information and policy agreement pamphlets by soliciting views from individuals outside the company in order to make policies easier to understand for customers.

For policy information pamphlets, we introduced a new design conceived to improve ease of use by adding a "Notes" column with links to corresponding sections of policy agreement pamphlets and related pages in the policy information and to increase the readability and accessibility of the information presented by adding an introductory page and incorporating charts and illustrations into the text.

For policy agreement pamphlets, we changed the layout to place provisions related to sections that are frequently referenced by policyholders such as "Payment of Benefits" at the beginning, made the text easier to see and understand by utilizing charts and bullet lists, and simplified legal expressions and other language that customers likely do not encounter on an everyday basis.

■ Introduction of a new policy processing system

To make the experience of applying for insurance more convenient for our customers, we have put in place a new policy processing that allows us to develop easy-to-understand case designs [policy summaries], simplify the process of filling out an application and accelerate the signing of the policy.

This new system serves to reform both the sales and business processes by facilitating sales activities, such as solicitation of insurance, underwriting business at post offices and screening operations at our Service Centers.

The system was first introduced in Tokyo and in the south Kanto and Shinetsu areas in October 2010 and has been phased-in in other parts of the country since the end of May 2011.

■ "Comprehensive and Heartfelt Services"

As part of our efforts to promote "Comprehensive and Heartfelt Services," we launched a program in October 2010 at post offices across the country to conduct home visits primarily to policyholders who will soon be receiving maturity benefits or other proceeds to be paid during their lifetime. Through these home visits, we encourage them to start the process of collecting proceeds early, check to make sure they have not failed to make any insurance claims, encourage them to apply for cashless transactions and advise them to add to their insurance an option that allows a designated third party to request insurance benefits*. We are working to bring higher satisfaction and confidence to our customers through these efforts.

*A designated third party (family members, etc.) can submit requests for insurance benefits on behalf of the beneficiary (insured person) when he or she is unable to do due to special circumstances.



■ Initiatives concerning checks of benefits and other payments

Japan Post Insurance recognizes the management of benefit and other payments as a high-priority issue. After checking benefit and other payments made while operating as Japan Post (April 2003 to September 2007), we have been providing information to policyholders and recommending that they file claims where appropriate.

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. At the same time, we will strive to strengthen our risk management system, particularly our management of risk arising from the Great East Japan Earthquake.

4. Contributing to Local Communities

With the objective of contributing to the health of everyone in society, Japan Post Insurance works with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation to promote radio exercise and *Minna no Taiso* ("Exercise for Everyone").

This effort takes the form of the Radio Exercise and *Minna no Taiso* Summer Tour and Special Tour as well as the Festival of 10 Million People's Radio Exercise and *Minna no Taiso*, which are held each year from April to October at venues nationwide through the joint sponsorship of NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation.

■ Held the 49th Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

We held the 49th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") at 6:00 a.m. on August 1, 2010 at Oita Bank Dome Stadium in Oita City.

Despite the early morning timing, about 11,000 people participated, including radio exercise fans from around Japan as well as local elementary school students and their parents. By promoting radio exercises, Japan Post Insurance will continue to support people's health, which is essential for leading a rich and fulfilling life.



At the 49th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (on August 1, 2010, Oita City)

TOPICS

Held Japan Post Insurance "Flowers" promotional campaign

From May 10 to June 30, 2010, we held a "Flowers" promotional campaign as part of a tie-up with the movie *Flowers* at post offices* nationwide. The campaign, which was conceived to encourage customers to come to Japan Post Insurance for advice about insurance, featured the copy, "Japan Post Insurance is ready to help you create your own brilliant story."

Held a "New Year Dream *Kanpo*" Campaign

From January 11 through to March 11, 2011, post offices* and branches of Japan Post Insurance throughout the country hosted a "New Year Dream *Kanpo* Campaign" to thank our customers. It also served to provide an opportunity for a broad range of customers to know about and purchase our products and services.

During the campaign, customers who asked for a case design [policy summary] for our insurance products (excluding annuities) were encouraged to participate in a drawing. A variety of prizes, including paired tickets for an exclusive performance by the Takarazuka Revue Company and popular gourmet foods, were given to a total of 19,400 winners.

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

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



2. Products and Services

(As of April 1, 2011)

1. Types of insurance

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																			
For those considering the balance of lifetime security	Whole life insurance with twofold insurance coverage																			
	Whole life insurance with fivefold insurance coverage																			
For those who want to add <i>Tanoshimi</i> (enjoyment) to lifetime security	Special whole life insurance																			
For those who wish to increase security with a minimum burden	Ordinary term insurance																			
For those considering both security and maturity	Ordinary endowment insurance																			
For those considering both enhanced security and maturity	Special endowment insurance with twofold insurance coverage																			
	Special endowment insurance with fivefold insurance coverage																			
	Special endowment insurance with tenfold insurance coverage																			
For those struggling with illness	Designated endowment insurance																			
For those considering making preparations for education funds	Educational endowment insurance																			
For those who want to add further security in preparations for education funds	Educational endowment insurance with scholarship annuity																			
For those considering a comfortable retirement	Term annuity																			
For those who wish to accumulate assets as wage earners	Asset-formation savings insurance																			
	Asset-formation housing funding insurance																			
	Asset-formation whole life annuity																			

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

2. Principal Riders and Provisions

(As of April 1, 2011)

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

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

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



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

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

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

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

Hospitalization for illness or injury (hospitalization benefit) Benefits starting with the first day of hospitalization (even for a single-day stay in the hospital [Note 1])	¥15,000 × days of hospitalization (Daily payment of hospitalization benefits) (120 days limit)
Surgery for illness or injury (surgery benefits) Payments for surgery requiring hospitalization (Note 2)	Depending on the type of surgery: ¥15,000×5, 10, 20, or 40 times (Daily payment of hospitalization benefits)
Long-term hospitalization for illness or injury (long-term hospitalization, one-time payment) Payment made when hospital stay reaches 120 consecutive days	¥300,000 (3% of rider standard insurance amount)

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

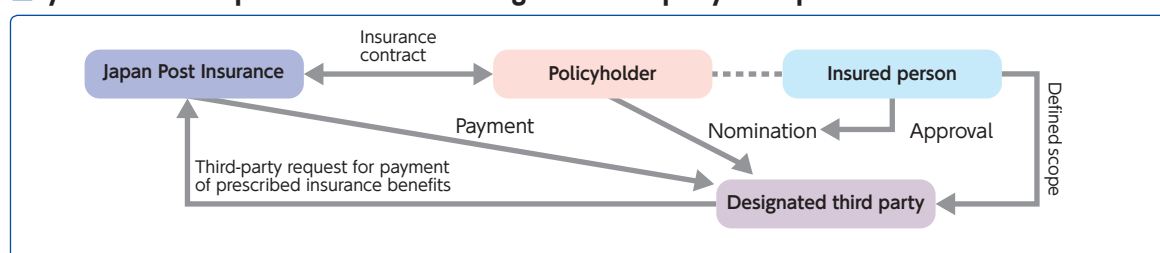
*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

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

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

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

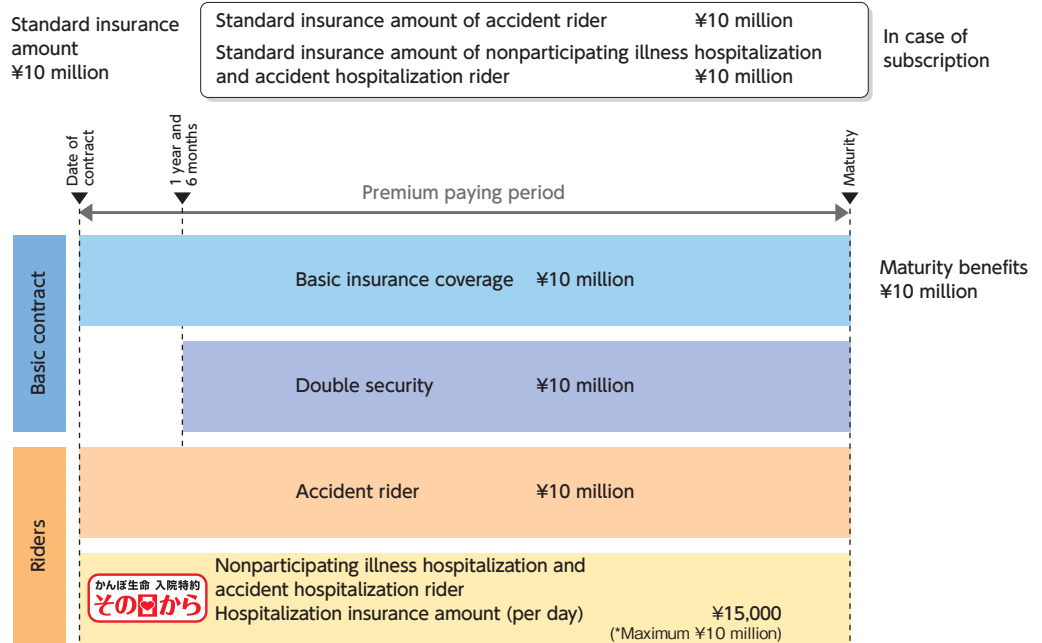
■ System with an option that allows a designated third party to request insurance benefits



Insurance schemes

●Outline of endowment insurance schemes

Ordinary endowment insurance

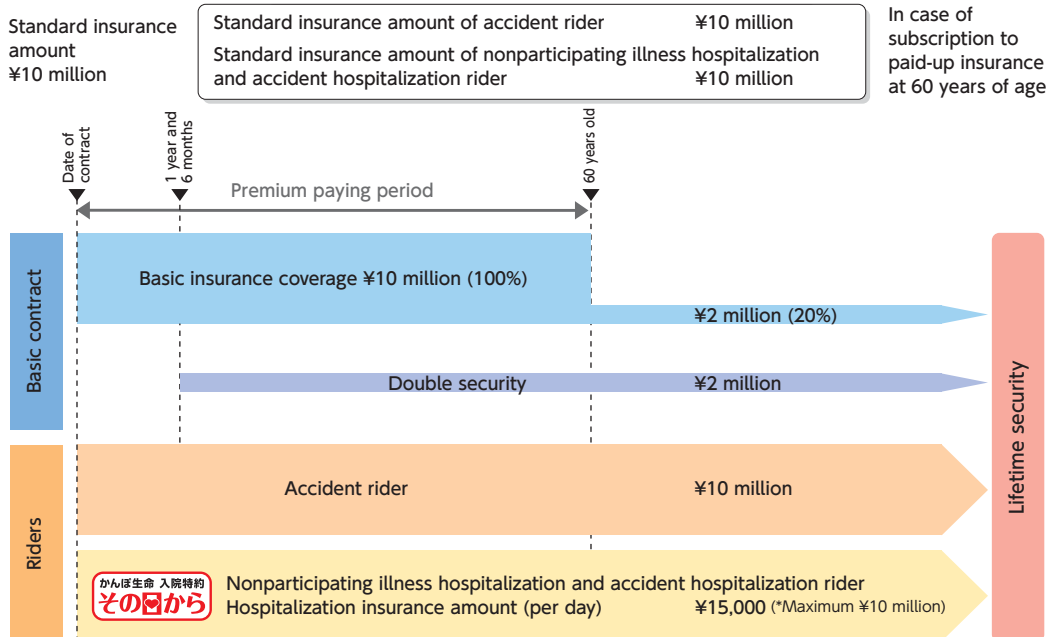


Features

- 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 premium income, insurance claims and others, and operating expenses as well as investment-related income and expenses, which consist primarily of interest and dividends income.

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

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

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

Japan Post Insurance's core profit for fiscal 2011 was ¥484.4 billion. The Company covered a negative spread amounting to ¥139.3 billion with the mortality and morbidity rate margin, which represents gains from a decline in the mortality rate and hospitalization rate, etc., and administrative expense margin, which are gains resulting from business efficiency improvements. In other words, core profit, which reflects the Company's three main profit sources, was positive.

The average assumed interest rate was 1.95%, while the interest rate yield was 1.79%, resulting in a difference of 0.16%. In recent years, this difference has been narrowing due to the maturation of contracts with high average assumed interest rates.

Core profit ¥484.4 billion

Core Profit Breakdown (Three Major Profit Sources) (Billions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Core profit	¥ 432.4	¥ 427.1	¥ 484.4
Negative spread	(353.7)	(236.2)	(139.3)
Mortality and morbidity rate margin	354.5	324.7	357.2
Administrative expense margin	431.6	338.6	266.5

(Billions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Core profit A	¥ 432.4	¥ 427.1	¥ 484.4
Capital gains	66.6	48.8	82.6
Gains on money held in trust	—	38.7	15.7
Gains from trading securities	—	—	—
Gains on sales of securities	66.6	10.0	66.9
Gains on derivatives	—	—	—
Foreign exchange gains	—	—	—
Other capital gains	—	—	—
Capital losses	474.7	31.9	48.8
Losses on money held in trust	296.7	—	—
Losses from trading securities	—	—	—
Losses on sales of securities	107.1	26.4	24.9
Losses on valuation of securities	58.7	—	16.9
Losses on derivatives	—	0.2	0.1
Foreign exchange losses	0.2	0.9	2.0
Other capital losses	11.8	4.4	4.6
Net capital gains B	(408.1)	16.8	33.8
Core profit including capital losses A+B	24.2	444.0	518.3
Other one-time gains	190.0	—	64.6
Reinsurance income	—	—	—
Reversal of contingency reserve	190.0	—	64.6
Others	—	—	—
Other one-time losses	—	64.3	160.7
Reinsurance premiums	—	—	—
Provision for contingency reserve	—	64.3	—
Provision for individual allowance for doubtful accounts	—	—	—
Provision for reserve for specific overseas loans	—	—	—
Depreciation of loans	—	—	—
Others	—	—	160.7
Other one-time profits C	190.0	(64.3)	(96.1)
Net ordinary income A+B+C	¥ 214.2	¥ 379.6	¥ 422.2

Notes: 1. Amounts (¥11.8 billion in fiscal 2009, ¥4.4 billion in fiscal 2010 and ¥4.6 billion in fiscal 2011) corresponding to income gains among gains from money held in trust have been recorded in "Other capital losses" and are included in core profit as "other core income."

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

2. Solvency Margin Ratio

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

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

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

Japan Post Insurance's solvency margin ratio as of March 31, 2011 was 1,821.6%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

For reference, Japan Post Insurance's solvency margin ratio is 1,153.9% when computed by using the new standards, which are scheduled to go into effect at the end of fiscal 2012.

(Billions of yen)

	Fiscal 2009 (March 31, 2009)	Fiscal 2010 (March 31, 2010)	Fiscal 2011 (March 31, 2011)
Total amount of solvency margin (A)	¥4,539.5	¥4,749.6	¥4,760.9
Capital stock, etc.	1,056.6	1,109.2	1,167.1
Reserve for price fluctuations	446.5	421.4	409.6
Contingency reserve	2,886.2	2,950.6	2,885.9
General reserves for possible loan losses	0.0	0.0	0.0
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	9.2	60.1	29.8
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	0.3	(14.8)	(25.6)
Excess of continued Zillmerised reserve	80.6	148.2	208.0
Capital raised through debt financing	—	—	—
Deductions	—	—	—
Other	59.8	74.7	85.6
Total amount of risk (B)	635.0	570.8	522.7
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Underwriting risk R ₁	187.9	183.2	180.5
Underwriting risk of third-sector insurance R ₈	179.0	159.6	143.2
Anticipated yield risk R ₂	71.9	65.9	61.3
Investment risk R ₃	424.9	370.8	330.5
Business management risk R ₄	17.2	15.5	14.3
Minimum guarantee risk R ₇	—	—	—
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,429.7%	1,663.9%	1,821.6%

Note: The above figures are calculated based on Article 86 and Article 87 of the Enforcement Regulations of the Insurance Business Law and the provisions of Ordinance No. 50 issued by the Ministry of Finance in 1996. ("Excess of continued Zillmerised reserve" is calculated based on the provisions of Article 1, Paragraph 3, Item 1 of Ordinance No. 50.)

Solvency margin ratio
1,821.6%

●(A) Total solvency margin (total of amounts on the right)

Capital stock, etc.; reserve for price fluctuations; contingency reserve; general reserves for possible loan losses; net unrealized gains (losses) on available-for-sale securities × 90% (see note); net unrealized gains (losses) on real estate × 85% (see note); excess of continued Zillmerised reserve; capital raised through debt financing; deductions; and other

Note: 100% for negative figures

●(B) Total amount of risk

Total risk factors in various risks, such as underwriting risk, anticipated yield risk, investment risk and business management risk, which exceed the normal foreseeable risks

Underwriting risk (R₁)

... Amount equivalent to exposure to the risk of a sudden increase in insurance payments following the occurrence of a major catastrophe or similar event

Underwriting risk of third-sector insurance (R₈)

... Amount equivalent to exposure to the risk of a rapid increase in insurance payments and other payments involving third-sector insurance, which includes hospitalization riders and certain other types of insurance

Anticipated yield risk (R₂)

... Amount equivalent to exposure to the risk of the return on investment falling below the anticipated investment yield due to a downturn in the investment climate

Investment risk (R₃)

... Amount equivalent to exposure to the risk of a sharp drop in the value of assets caused by a major downturn in stock prices, volatility in foreign exchange markets or other events; also, amount equivalent to exposure to the risk of a rapid increase in non-performing loans caused by bankruptcies among obligors and other events

Business management risk (R₄)

... Amount equivalent to exposure to the risk of the occurrence of a larger-than-expected problem involving the management of business operations

Minimum guarantee risk (R₇)

... Amount equivalent to the risk involving minimum guarantees for insurance benefits of variable insurance and variable annuities

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

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

As of March 31, 2011, Japan Post Insurance had a contingency reserve of ¥2,885.9 billion and a reserve for price fluctuations of ¥409.6 billion, a total of ¥3,295.6 billion.

(Billions of yen)

	End of Fiscal 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)	End of Fiscal 2011 (March 31, 2011)
Contingency reserve	¥2,886.2	¥2,950.6	¥2,885.9
Limit amount	3,358.8	3,162.3	3,010.8
Reserve for price fluctuations	¥ 446.5	¥ 421.4	¥ 409.6
Limit amount	446.5	421.4	409.6
Total	¥3,332.8	¥3,372.0	¥3,295.6

Contingency reserve and reserve for price fluctuations **¥3,295.6 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 high capital debt items, from total assets at market value. Regulatory agencies use real net assets as an indication of an insurer's financial soundness at the end of a fiscal period. A negative figure may lead to an order to suspend operations or other regulatory actions. (However, such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy reserve-matching bonds is positive and liquid assets have been set aside).

As of March 31, 2011, Japan Post Insurance had a sufficient level of ¥6,905.6 billion in real net assets.

(Billions of yen)

	End of Fiscal 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)	End of Fiscal 2011 (March 31, 2011)
Real net assets	¥6,203.6	¥6,598.7	¥6,905.6

5. Net Unrealized Gains (Losses) on Securities

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

At the end of fiscal 2011, Japan Post Insurance recorded a net unrealized gain on securities of ¥2,241.0 billion.

We recorded a ¥4.0 billion net unrealized loss on money held in trust and a ¥33.2 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 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)	End of Fiscal 2011 (March 31, 2011)
	Net unrealized gains (losses)		
Total	¥1,723.5	¥1,966.4	¥2,241.0
Held-to-maturity securities	998.4	1,003.8	1,205.5
Policy reserve-matching bonds	714.8	895.8	1,002.2
Available-for-sale securities (before tax effects)	(Note 1) 10.2	(Note 2) 66.7	(Note 3) 33.2
Securities, etc.	27.0	55.0	37.2
Money held in trust	(16.8)	11.7	(4.0)

Notes: 1. After applying tax-effect accounting, a gain of ¥6.5 billion
 2. After applying tax-effect accounting, a gain of ¥42.5 billion
 3. After applying tax-effect accounting, a gain of ¥21.1 billion

6. Risk-monitored Loans

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

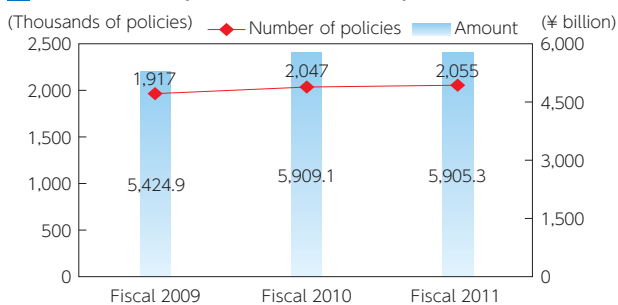
2 Insurance Policies

New Policies and Policies in Force

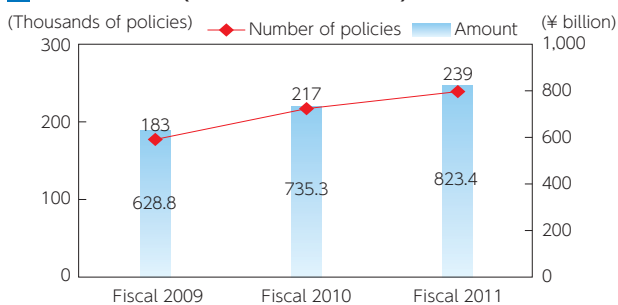
In fiscal 2011, Japan Post Insurance sold 2,055 thousand individual insurance policies with an insured amount of ¥5,905.3 billion, and 239 thousand individual annuity policies with an annuity amount of ¥823.4 billion.

As of March 31, 2011, there were 6,180 thousand individual insurance policies, and policies in force totaled ¥17,642.2 billion. There were 687 thousand individual annuity policies with an annuity amount of ¥2,223.6 billion.

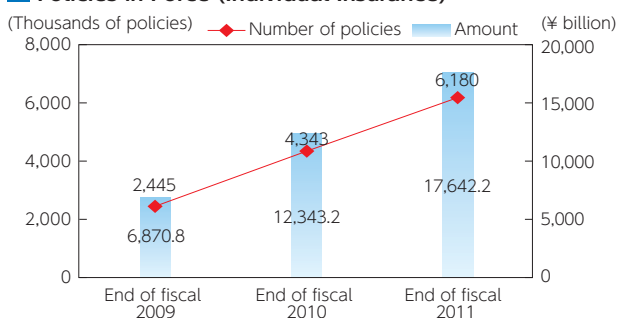
New Policies (Individual Insurance)



New Policies (Individual Annuities)

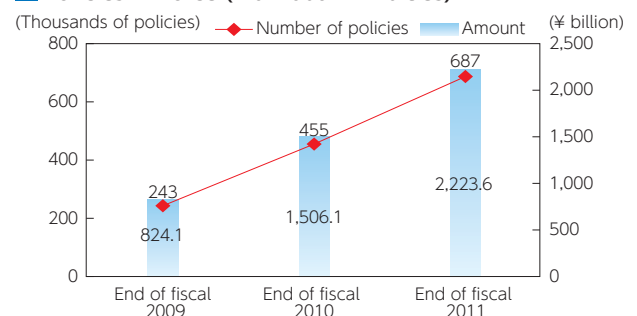


Policies in Force (Individual Insurance)

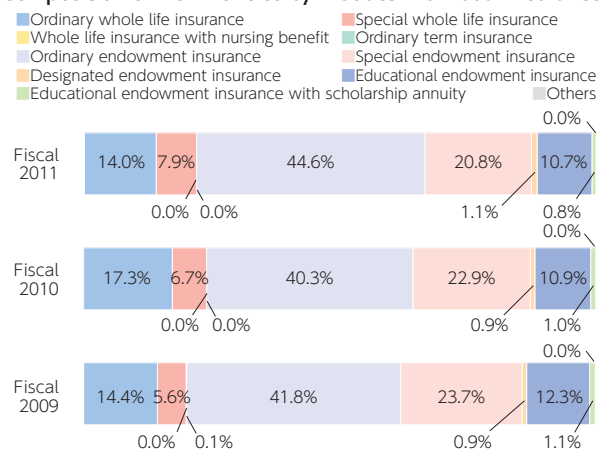


Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 35,496 thousand life insurance policies with an insured amount of ¥98,910.0 billion and 4,886 thousand annuity policies with an annuity amount of ¥1,809.4 billion.

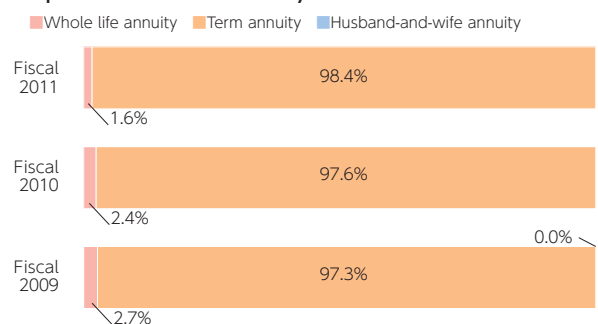
Policies in Force (Individual Annuities)



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 2009 (March 31, 2009)		End of Fiscal 2010 (March 31, 2010)		End of Fiscal 2011 (March 31, 2011)	
	Number of policies	Insured amount/Annuity amount	Number of policies	Insured amount/Annuity amount	Number of policies	Insured amount/Annuity amount
Life insurance	46,026	127,523.3	40,308	112,069.4	35,496	98,910.0
Annuity	5,806	2,136.6	5,361	1,980.4	4,886	1,809.4

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

3 Performance Overview

1. Assets

At March 31, 2011, total assets of Japan Post Insurance amounted to ¥96.7 trillion, a decrease of ¥4.1 trillion from fiscal 2010 (¥100.9 trillion).

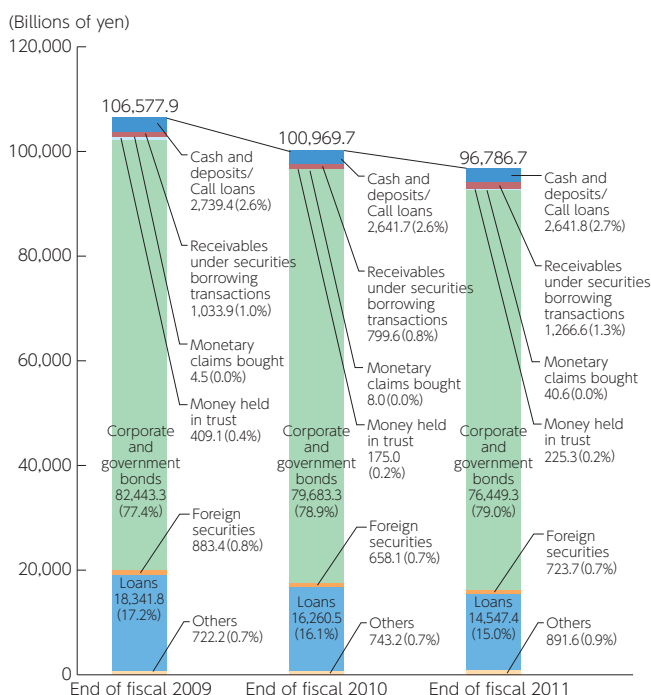
Our investment policy in fiscal 2011 was to continue investing primarily in yen-denominated interest-bearing assets that provide stable interest income.

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

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

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

■ Composition of Assets



2. Asset Management Yield

Despite the continued trends toward lower interest rates, a strong yen and weak stock markets, careful investment primarily in yen-denominated interest-bearing assets gave Japan Post Insurance an asset management yield of 1.64%.

■ Asset Management Yield

Item	Fiscal 2009 (April 1, 2008 to March 31, 2009)	Fiscal 2010 (April 1, 2009 to March 31, 2010)	Fiscal 2011 (April 1, 2010 to March 31, 2011)
Yield	1.15%	1.58%	1.64%

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 2009 (March 31, 2009)		End of Fiscal 2010 (March 31, 2010)		End of Fiscal 2011 (March 31, 2011)	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	250.4	(1.6)	311.9	6.4	370.0	7.6

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

■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

5. Other Businesses

1. Hospital Business

Japan Post Holdings has established 14 Teishin Hospitals around Japan that serve as corporate hospitals for the Japan Post Group. Teishin Hospitals are open for the use of any member of the public, as well as Group employees and their families, and they provide medical services and medical check-up services, which contribute to the health of everyone in the community. For details, please refer to page 105.

Notably, Tokyo Teishin Hospital has 514 sickbeds, advanced medical care and medical equipment, and cutting-edge medical research. The hospital reopened its medical check-up center in September 2010 following renewal.

List of 14 Teishin Hospitals nationwide



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



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



Sendai Teishin Hospital
Departments
Internal medicine, gastroenterohepatology, surgery, obstetrics and 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, anesthesiology



Tokyo Teishin Hospital
Departments
Internal medicine, gastroenterohepatology, cardiology, respiratory, psychiatry, surgery, cardiovascular, 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, 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 specialist outpatients, otolaryngology, orthopedics, medical check-up center



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

2. Hotel Business

1. Kanpo no Yado inns and Kanpo no Sato inns

There are 65 *Kanpo no Yado* inns nationwide (including three that are temporarily closed). These facilities are near tourist spots. *Kanpo no Yado* inns are available for the use of all persons, in the same way as regular *ryokan* and hotels, regardless of whether guests possess insurance policies of Japan Post Insurance.

In addition, there are four *Kanpo no Sato* inns in Japan, where people can enjoy sports and other leisure activities in a natural setting.

For details, please refer to pages 106-107.

2. Rafre Saitama and other facilities

Rafre Saitama is a lodging facility located near Saitama Shintoshin station that has a conference room, banquet hall and fitness center.

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

For details, please refer to page 107.

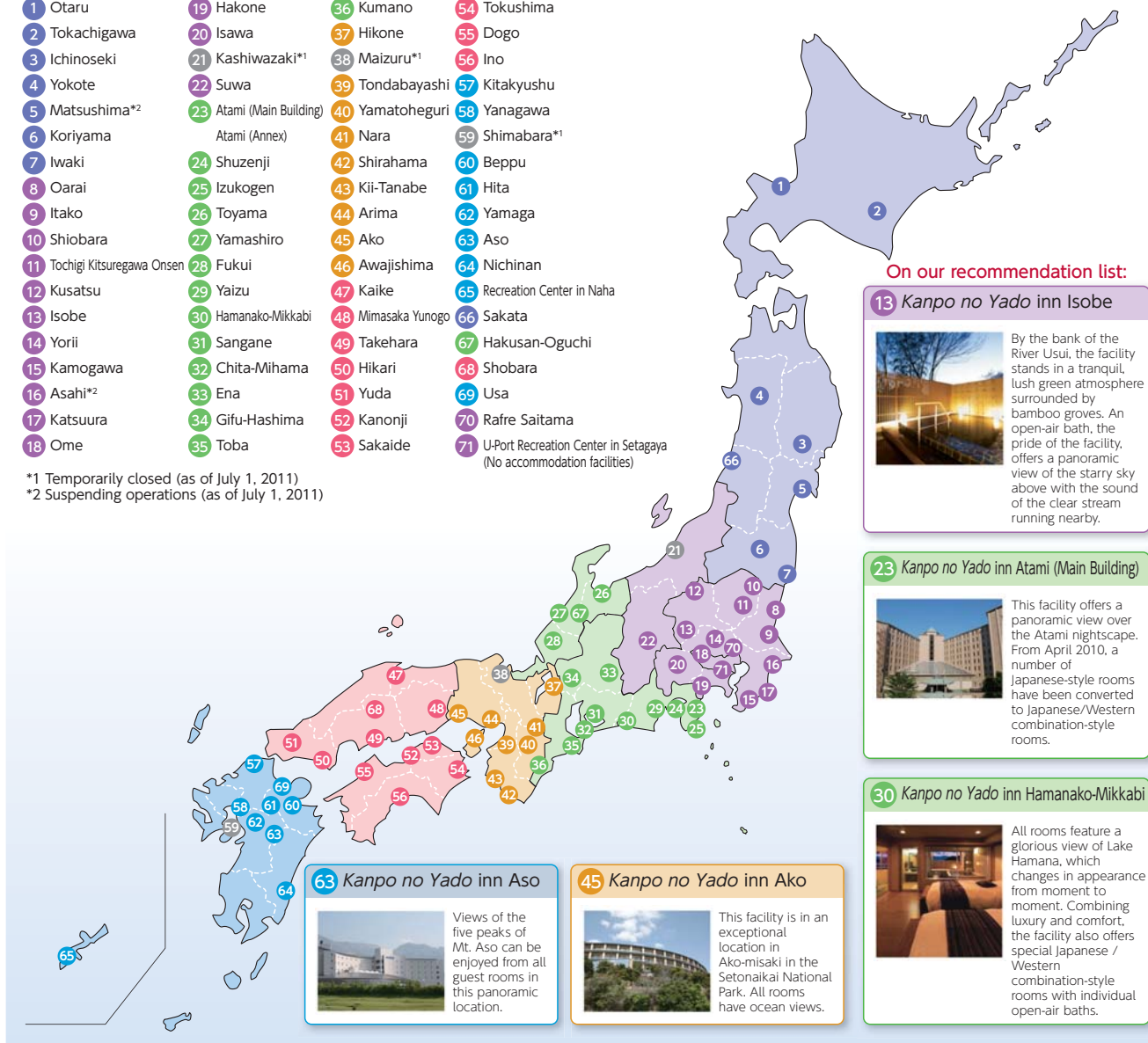
Notes: 1. With regard to MIELPARQUE hotels, in October 2008 Japan Post Holdings concluded a fixed-term lease agreement with Watabe Wedding Corp., whose subsidiary currently runs the facilities.
2. With regard to U-Port, in December 2008 Japan Post Holdings concluded a fixed-term lease agreement with Seiyo Food-Compass Group, Inc. and Central Sports Co., Ltd., which currently run the facility.

List of Accommodation Facilities Nationwide

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

*1 Temporarily closed (as of July 1, 2011)

*2 Suspending operations (as of July 1, 2011)



On our recommendation list:

13 Kanpo no Yado inn Isobe



By the bank of the River Usui, the facility stands in a tranquil, lush green atmosphere surrounded by bamboo groves. An open-air bath, the pride of the facility, offers a panoramic view of the starry sky above with the sound of the clear stream running nearby.

23 Kanpo no Yado inn Atami (Main Building)



This facility offers a panoramic view over the Atami nightscape. From April 2010, a number of Japanese-style rooms have been converted to Japanese/Western combination-style rooms.

30 Kanpo no Yado inn Hamanako-Mikkabi



All rooms feature a glorious view of Lake Hamana, which changes in appearance from moment to moment. Combining luxury and comfort, the facility also offers special Japanese / Western combination-style rooms with individual open-air baths.

63 Kanpo no Yado inn Aso



Views of the five peaks of Mt. Aso can be enjoyed from all guest rooms in this panoramic location.

45 Kanpo no Yado inn Ako



This facility is in an exceptional location in Ako-misaki in the Setonaikai National Park. All rooms have ocean views.

Dedicated to Becoming an Even More Trustworthy Group

CONTENTS

1. Japan Post Group Corporate Governance

- 1. Fundamental Policy for Corporate Governance 78
- 2. Corporate Governance Systems of Group Companies 79

2. Japan Post Group Compliance Framework

- 1. Japan Post Group Compliance Framework 80
- 2. Group Company Compliance Framework 81

3. Japan Post Group Internal Audit System

- 1. Japan Post Group Internal Audit System Framework 82
- 2. Internal Audit System at Group Companies 82

4. Japan Post Group Risk and Crisis Management

- 1. Group Risk Management Framework 84
- 2. Japan Post Group Risk Management System 85
- 3. Crisis Management for Disasters 85

5. Japan Post Group Customer Satisfaction

- 1. Listening to Customers 86
- 2. Customer Service Consulting Center 86

6. Japan Post Group CSR

- 1. Japan Post Group CSR Activities 88
- 2. 100 Local Community Activities by the Japan Post Group 88
- 3. Japan Post Group CSR Organization 97

1. Japan Post Group Corporate Governance

1. Fundamental Policy for Corporate Governance

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

1. Group Management

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

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

2. Internal Controls

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

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

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

3. Separation of Business Execution and Supervision

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

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

4. Management Meeting and Special Committees

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

In addition, there are two special committees, the Compliance

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

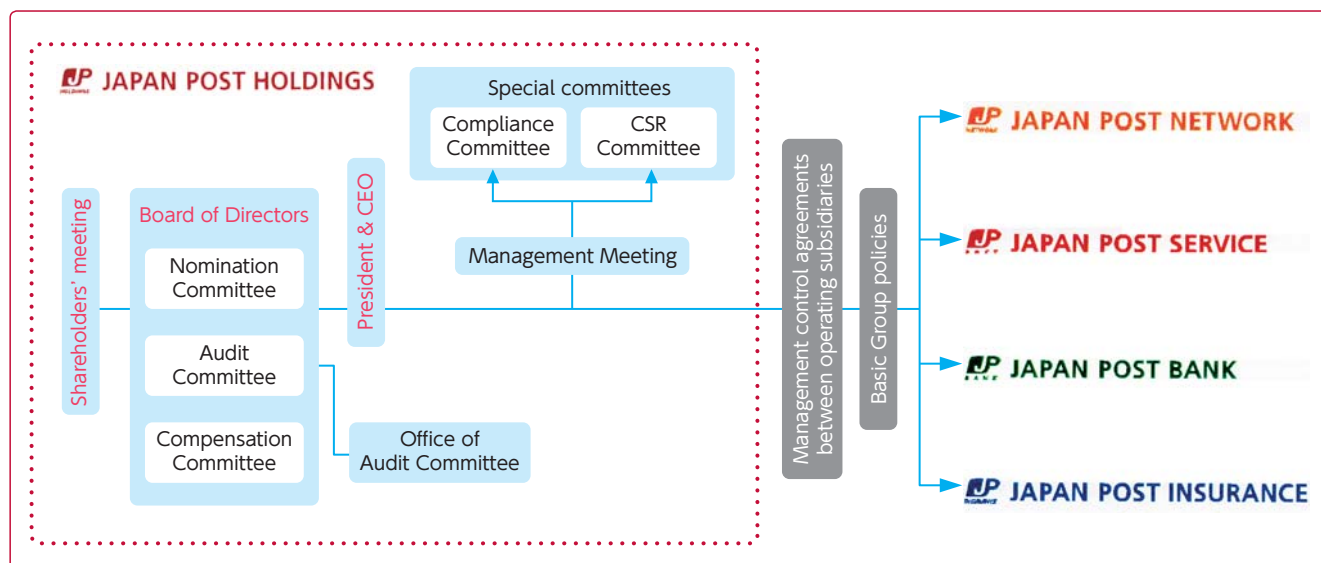
5. Administrative Management

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

To support the development and improvement of administrative

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

■ Japan Post Group Corporate Governance System



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

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

1. Organizational response

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

2. Complete elimination of relationships, including transactions

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

3. Legal measures and prohibition of secret negotiations

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

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

4. Cooperation with outside experts

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

5. Prohibiting financing for antisocial forces

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

2. Corporate Governance Systems of Group Companies

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

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

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

2. Japan Post Group Compliance Framework

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

1. Japan Post Group Compliance Framework

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

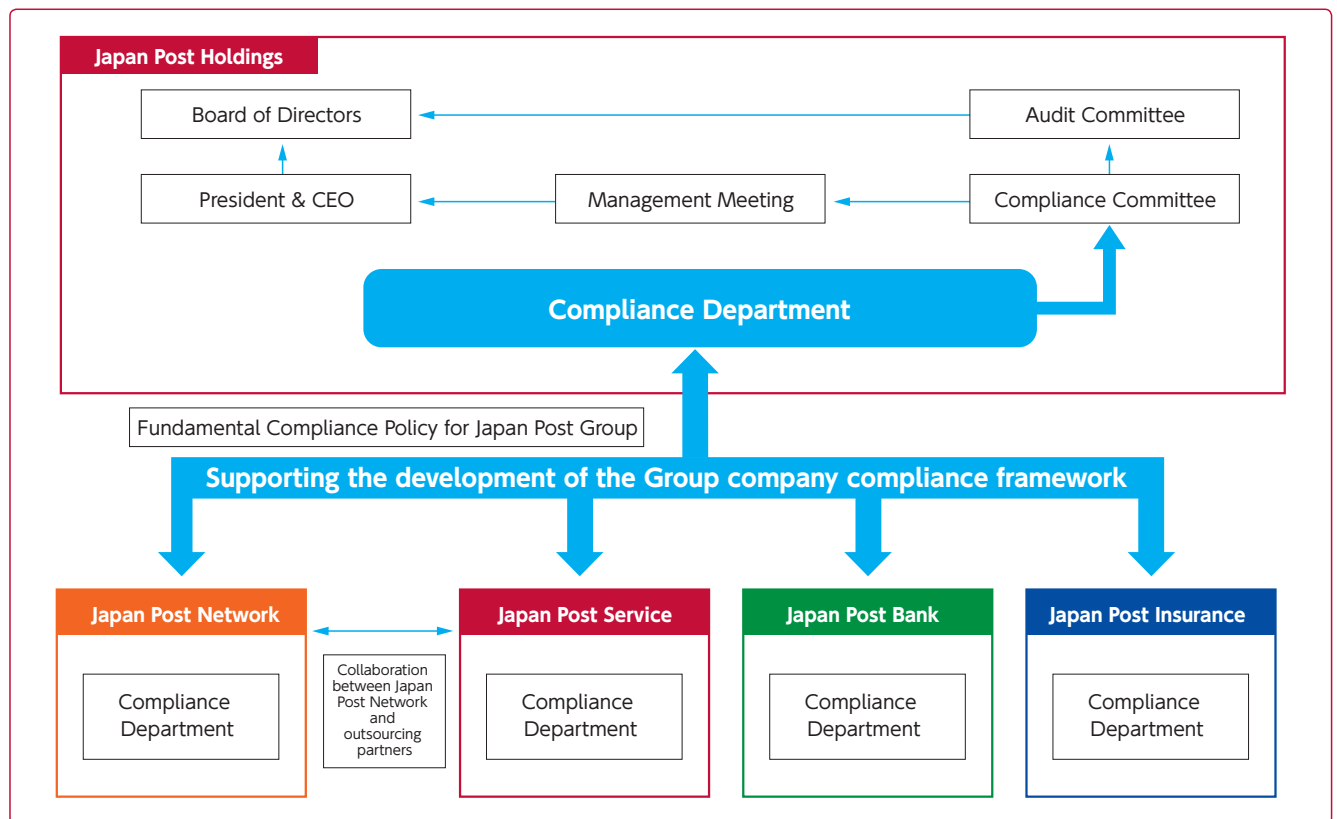
In addition, each Group company has a Compliance Committee that reports to its Management Meeting to review the compliance policy, framework, specific activities and associated issues.

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

charge of compliance.

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

■ Japan Post Group Compliance Framework



2. Group Company Compliance Framework

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

1. Compliance Framework

(a) Line of responsibility for compliance activities

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

(b) Internal reporting system

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

2. Promotion of Compliance

(a) Establishment of compliance program

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

(b) Activities related to compliance items

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

(c) Preparation and distribution of compliance manual

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

(d) Implementation of compliance-related training

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

3. Japan Post Group Internal Audit System

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

1. Japan Post Group Internal Audit System Framework

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

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

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

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

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

2. Internal Audit System at Group Companies

1. Overview

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

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

Japan Post Network, which has approximately 24,000 post offices, has established audit offices at 50 locations nationwide, while Japan Post Service, which has around 1,100 branch offices, has established 13 audit offices nationwide. This ensures that internal audits are carried out at a sufficient frequency and in appropriate detail.

2. Implementation of Effective Internal Audits

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

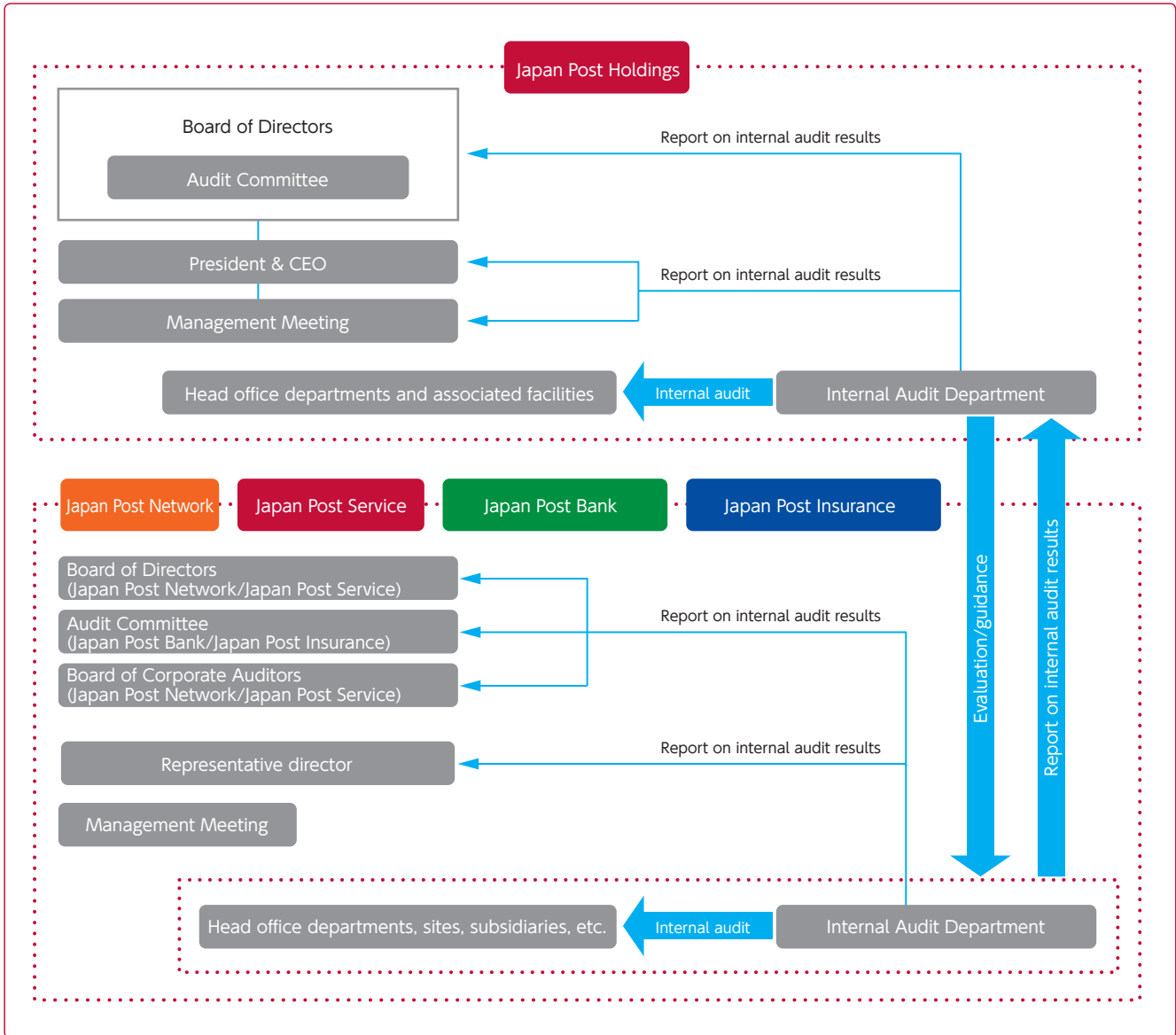
In addition, efforts are made to ensure efficient and effective internal audits through attendance at daily meetings and off-site monitoring that includes gathering materials related to internal management.

3. Reporting on Results of Internal Audits and Making Improvements

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

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

■ Japan Post Group Internal Audit Framework



4. Japan Post Group Risk and Crisis Management

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

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

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

1. Group Risk Management Framework

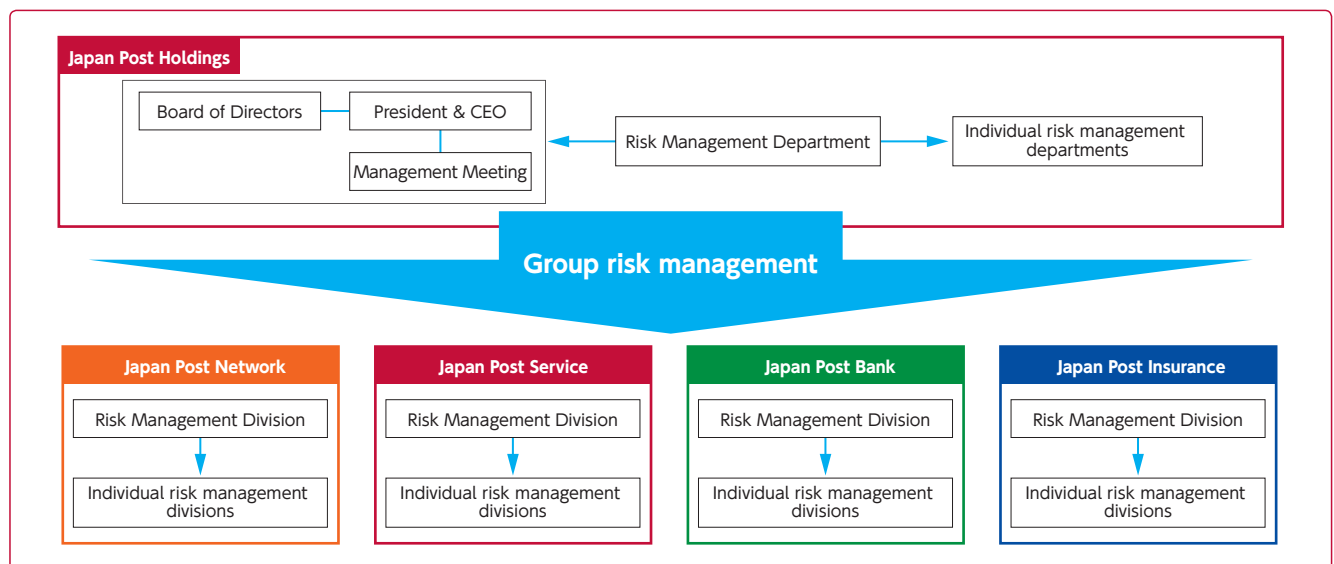
The Basic Policy for Japan Post Group Risk Management classifies and defines risk categories managed by Group companies and prescribes basic policy that must be followed by Group companies.

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

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

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

■ Risk Management Framework for Japan Post Group



Japan Post Bank and Japan Post Insurance are exposed to market risk, credit risk and other types of risk that are unique to the provision of financial services. Each Group company identifies risks that can be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to measure these risks.

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

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

2. Japan Post Group Risk Management System

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

Management and manages those risks autonomously.

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

■ Risk Categories and Definitions

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

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

3. Crisis Management for Disasters

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

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

5. Japan Post Group Customer Satisfaction

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

1. Listening to Customers

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

- *Group companies' customer satisfaction departments:
- Japan Post Network: CS Promotion Division
 - Japan Post Service: Risk and Business Processing Management Division, Customer Service Promotion Office

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

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

2. Customer Service Consulting Center

Customer opinions are gathered at all post offices, branches and call centers nationwide, as well as from respective websites. Please refer to pages 186-189 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

Please divide up nighttime delivery time slots in more detail.



We changed to six different delivery time slots for Yu-Pack. This has made it possible to designate a more-detailed delivery time slot (service launched in July 2010).

1	Morning
2	From about 12:00 to about 14:00
3	From about 14:00 to about 16:00
4	From about 16:00 to about 18:00
5	From about 18:00 to about 20:00
6	From about 20:00 to about 21:00

Please allow persons to apply for mail pickup online.



Customers are now able to apply for mail pickup online (service launched in July 2010).



Screenshot of "Online Application for Mail Pickup"

Report on the results of post office monitor activities

Japan Post Holdings commissioned around 10,000 customers to serve as post office monitors and solicited feedback from them concerning products and services offered by Japan Post Group companies as well as the Group's relationship with local communities (commission period: December 2009-June 2011).

Specifically, post office monitors complete questionnaires (all monitors) and participate in monitor meetings (those selected at random). The valuable opinions gathered from the monitors through these means are utilized in future post office operations.

■ Post office monitor questionnaire

Questionnaires (total of three times) were conducted to garner feedback on products and services. Answers were received from around 90% of the post office monitors.

■ Post office monitor meetings

Top management and executive officers of each Group company, including Jiro Saito, President and CEO of Japan Post Holdings, attended the monitor meetings at 20 different venues nationwide to hear the opinions of approximately 250 post office monitors directly.



President Saito responds to a customer's opinion



A monitor meeting in progress

Results of the third Japan Post Group customer satisfaction survey

Japan Post Holdings conducts a survey on customer satisfaction levels and intention of use at key Group companies and collates 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 conduct necessary surveys as a means to further raise customer satisfaction and the results of analysis of issues and other aspects obtained via such research will be actively reflected in management operations.

Outline of survey

■ Respondents

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

■ Survey method: Internet

■ Period: September 22-27, 2010

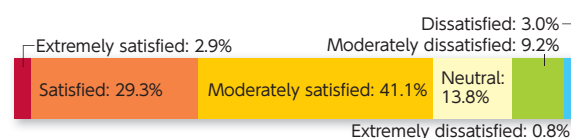
■ Valid responses: 4,207 people (68.6% of 6,137 solicited)

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

(Satisfied: 73.3%, Dissatisfied: 13.0%)

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

[Overall level of satisfaction (post office/counter)] Respondents: 4,207



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

Top 3 most satisfied

- Welcome greeting (Satisfied: 75.3%, Dissatisfied: 6.3%)
- No procedural errors (Satisfied: 74.3%, Dissatisfied: 7.0%)
- Convenience of post office location (Satisfied: 71.8%, Dissatisfied: 10.6%)

Top 3 least satisfied

- Number of ATMs (Dissatisfied: 46.2%, Satisfied: 29.5%)
- Size of parking area (Dissatisfied: 42.1%, Satisfied: 22.4%)
- Length of business hours (Dissatisfied: 31.4%, Satisfied: 35.6%)

6. Japan Post Group CSR

1. Japan Post Group CSR Activities

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

At the Japan Post Group, CSR is a means of doing business in line with the high standards that the Group has established for itself. Operating in this manner contributes to achieving the Group's management philosophy and ensuring sustainable growth.

2. 100 Local Community Activities by the Japan Post Group

The following lists 100 of the main initiatives of the Japan Post Group in local activities, social contribution and environmental conservation.

1. Local Activities

1 Nationwide

01 Network of 24,000 post offices

Japan Post Network has approximately 24,000 post offices in all of the 1,750 cities, districts, towns and villages nationwide, including the underpopulated area, 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.

Reference: Number of Japan Post Group Facilities

Post Offices (including contracted post offices):	24,529
Japan Post Service Branches:	1,110
Japan Post Bank Branches:	234
Japan Post Insurance Branches:	80
Teishin Hospitals:	14
Kanpo no Yado inns, etc.:	71
Museums, Document Archives:	6
Total:	26,044

*Includes 137 directly operated post offices and 255 contracted post offices that are temporarily closed.

02 Post Office Dispatch Services

We have dispatched employees from directly operated post offices to local public facilities and other places to provide services as an emergency measure for contracted post offices that are temporarily closed in areas where reopening cannot be expected soon (65 locations).

03 Mobile Post Offices (*Posukuru*)

We are providing services by making rounds through multiple areas with special ATM-equipped vehicles as an emergency measure for contracted post offices in areas where reopening these facilities cannot be expected soon (from February 2008).

There are two mobile post offices in Japan and these provide

service to Toyota City in Aichi Prefecture and Naruto City in Tokushima Prefecture and their immediate environs. Service in these areas was temporarily halted after the Great East Japan Earthquake and mobilized to the disaster area.

04 Universal Postal Services

Article 1 of the Postal Act stipulates, "The purpose of this law is to enhance public welfare by providing universal postal services at the lowest possible rates." We deliver approximately 64 million pieces of mail per day to around 31 million homes and businesses throughout Japan.

2 Hometown Support (Support for Local Industry)

05 *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 and other means were ¥88.7 billion in fiscal 2011 (up 5.2% year-on-year).

06 *Furusato* Stamps

We have been issuing stamp series with the hometown as a theme since 1989. Sales were limited to a few regions up to 2007, but we began selling them nationwide from 2008.

07 Original Frame Stamps

We are providing a service offering the production and sale of our customers' own original frame stamps in response to calls for "a stamp with my own photo on it."

We are also offering limited-period Japan Post original frame stamps and will continue to sell various newly planned frame stamps in the future as well.

08 Specialty Postage Stamps

We have issued a series of National Parks stamps and other stamps

featuring sights, scenery and local specialties in addition to those with national events.

09 Local Versions of New Year's Postcards

We have issued one nationwide New Year's postcard with an illustration, as well as 29 local versions of New Year's postcards with respective regional illustrations (New Year's postcards for 2011).

10 Sales of *Gotochi* Form Cards at Post Offices

The post offices in each prefecture sell *Gotochi* Form Cards depicting illustrations of famous locations and products representative of each prefecture where *Gotochi* Form Cards are sold at the post office (since September 2009). This card may be sent as nonstandard-size mail.

11 Local Government Tourism PR at Post Offices

A tourism public relations campaign for Toyama Prefecture was staged at around 450 post offices in the Kanto, Kansai and Chubu/Kyoto regions (June 2009).

12 Promotional Fair at Post Offices for Miyazaki Prefecture

We sold famous goods from Miyazaki Prefecture from a product catalog at all of our post offices nationwide and donated 5% of the proceeds to Miyazaki Prefecture, which was affected by an outbreak of foot-and-mouth disease (Sales period: August-September 2010; Amount donated: ¥6,431,790).

13 *Yucho* Fund and *Kanpo* Fund Offered Locally

Japan Post Bank and Japan Post Insurance are investing money in Japanese local government bonds. The balance of funds as of the end of March 2011 was ¥5,658.8 billion for Japan Post Bank and ¥6,255.7 billion for Japan Post Insurance, representing increases of ¥369.6 billion and ¥1,127.6 billion, respectively.

3 Local Connections

14 Offering Postal Lobbies to Local Customers

We have established space in one corner of the customer room at our post offices to display the photos, paintings, calligraphy and ink paintings of local citizens.

15 Employee Participation in Local Festivals

Employees participate in the Awaodori (Tokushima), Hanagasa Festival (Yamagata) and other local festivals and events on a volunteer basis.

16 Local Sports Competition Held

We have been sponsoring the Yusei Road Race for junior high schools in Nagoya City since 1951. This event celebrated its 60th anniversary in 2010.

17 FIFA Official Competition Balls Given to Elementary Schools

Japan Post Bank co-sponsored the 2010 International Federation of Association Football (FIFA) World Cup in South Africa and gave replicas of the official World Cup match ball displayed at the counters of post offices and Japan Post Bank branches nationwide to local elementary schools.

18 Co-sponsorship of the JAPAN U-12 FOOTBALL CHAMPIONSHIP

We began co-sponsoring the JAPAN U-12 FOOTBALL CHAMPIONSHIP in fiscal 2012 (35th Championship). This is Japan's largest official championship for elementary school-aged children and is designed to develop healthy minds and bodies for the children who will assume responsibility for the next generation.

19 Support Social Studies Field Trips by Elementary and Junior High School Students

We host tours of post offices and Japan Post Service's branches for local elementary and junior high school students.

20 Community Cleanup Activities by Employees

Employees and their families from each of the companies in the Japan Post Group participate in picking up trash and other cleanup activities, mainly for public places such as around post offices, city streets, public parks and riverways. In Hokkaido, the Japan Post Group as a whole conducts the "All Hokkaido Blanket Cleanup Campaign" throughout the prefecture.

21 Employees Provide Enjoyment at Local Welfare Facilities

Postmasters and employees provide enjoyment at nursing homes, welfare facilities and other places through musical bands, magic shows and other forms of entertainment.

4 Support for Public Administration and Security

22 One-stop Government Services

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 discounted tickets on consignment from local governmental agencies.

23 Himawari Service

Mail delivery personnel provides words of encouragement to elderly people living alone (who are 70 years old or older) and elderly couples in the underpopulated area (for 100 local governments as of the end of fiscal 2010).

24 Pension Delivery Service

We deliver pension payments and government pensions to the homes of seniors and customers with disabilities who find it difficult to come to the post office counter. As of the end of fiscal 2011, 644 people were using this service.

25 Pension Advisory Seminars by Japan Post Network and Japan Post Bank

Japan Post Network and Japan Post Bank offer pension advisory seminars.

26 Pension Registrations Issued at Post Offices

Japan Pension Service has consigned the initial pension registration for customers using the *Nenkin* Net service of the organization at certain post offices (204 post offices).

27 Equipping Post Offices with AED

We intend to equip the main post offices in cities nationwide with AED (Automated External Defibrillators) units so that anyone can use them. AEDs have already been introduced at 10 post offices on a trial basis.

28 Senior Welfare Services at *Kanpo no Yado* Inns

Introduction of senior welfare services at some facilities is under consideration.

29 Teishin Hospitals

Teishin Hospitals in 14 locations nationwide provide medical services to everyone in the area, not only for employees of the Japan Post Group and their families but also to anyone who wishes to use them.

5 Disaster Preparedness and Theft Prevention Assistance

30 Disaster Prevention Agreements with Local Governmental Agencies

We have concluded disaster prevention agreements at the request of local governmental agencies.

31 Provision of Information on Road Damage to Municipalities

When a mail delivery personnel finds any road damage, they report the fact to municipalities.

32 Cooperation to Prevent Landslides and Damage in Mountainous Areas

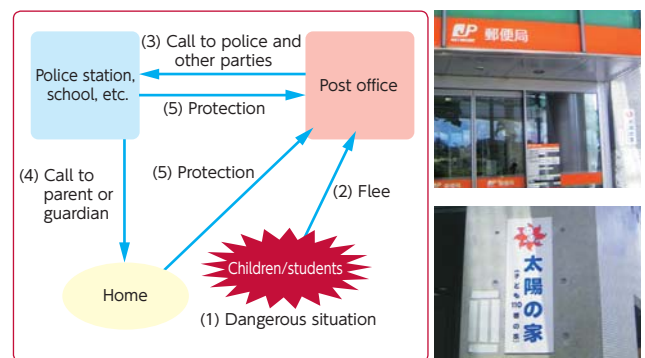
Post offices have installed rain gauges and rain gauge displays in addition to providing pamphlets and posters on soil and water conservation at post offices to help prevent damage from landslides and damage in mountainous areas.

33 Cooperation on Preventing Bank Transfer Scams

We work together with the police to inform the public when bank transfer scam is suspected at a counter or an ATM. We also hand out cautionary fliers and are recommending the maximum withdrawal limit for ATMs be lowered. We refuse to open accounts for fraudulent users and take steps such as promptly freezing the accounts of fraudulent users.

34 Emergency Assistance for Children

Approximately 8,000 of our post offices serve as a dispatch center for Dial 110 and a safe refuge for temporary care with the goal of preventing incidents involving children before they happen. Postal mail delivery personnel also cooperate on this initiative.



6 Assistance for Disaster Victims

35 Emergency Handling of Deposits

We are paying back up to ¥200,000 per person into ordinary deposits, *TEIGAKU* deposits and time deposits to disaster victims who have lost their passbooks, deposit certificates and seals.

36 Immediate Payment of Insurance Benefits to Disaster Victims in Case of an Emergency

In case of an emergency, we are immediately paying out insurance benefits by omitting part of the requisite documentation, even if someone does not have his or her insurance policy.

37 Postponement of Insurance Premium Payments for Disaster Victims

The period of postponement of insurance premium payments for victims of the Great East Japan Earthquake disaster has been extended by nine months (as of June 1, 2011).

38 Free Postcards to Disaster Victims

Five postcards are given to each family at evacuation shelters in disaster-affected areas.

39 Disaster Victims Exempted from Postal Fees

Mail (postcards, letters, Braille mail, etc.) sent by disaster victims are accepted and delivered free of charge as "disaster mail".

40 Disaster Victim Assistance at *Kanpo no Yado* Inns

We have been accepting victims of the Great East Japan Earthquake at *Kanpo no Yado* inns. For voluntary evacuees, we offered a special accommodation plan at 13 *Kanpo no Yado* inns. Under the plan, an accumulated total of 1,085 persons stayed at these inns during the period from March 11 to May 31, 2011.

We are also taking in groups providing disaster recovery support in addition to providing everyday goods such as towels, free baths and readying soup kitchens for meals.

41 Free-of-charge Money Transfers for Natural Disaster Relief Donations

We are exempting fees on amounts paid into transfer accounts as disaster donations to local governments and others in disaster-affected areas.

42 No Registered Mail Fees on Sending Monetary Donations

We are exempting registered mail fees for sending monetary donations to municipalities in disaster-affected areas.

43 Funds Donated by the Japan Post Group

The Japan Post Group donated a total of ¥300 million to assist victims of the Great East Japan Earthquake disaster, with ¥100 million each contributed by Japan Postal Holdings, Japan Post Bank and Japan Post Insurance.

44 "Yellow Post Box" Fundraising Campaign

Employee volunteers from the five companies in the Japan Post Group established the Japan Post Fundraising Association to raise funds for the victims of the Great East Japan Earthquake. Donation boxes have been placed at approximately 24,000 post office counters nationwide to help raising funds (March through May 2011).

2. Community Activities**1 General Aid****45 New Year's Postcards with Donation**

Donations of ¥400.46 million collected through the New Year's postcards donation-added (a donation of ¥3 per card) were

distributed to 236 welfare and social activity organizations (fiscal 2011). A total of 10 areas were eligible for aid: social welfare, disaster aid, medical treatment, aid for atomic bomb victims, traffic accident prevention, preservation of cultural treasures, youth development, promotion of sports, support for foreign exchange students and global environmental conservation.

**46 Specialty Postage Stamps with a Donation Added**

"The 60th Anniversary Animal Protection Week" postage stamp was issued with a ¥5 donation for each stamp (September 2009 through March 2010). A total donation of ¥41.67 million was distributed among 24 groups engaged in animal protection activities.

47 Exemption of Fees on Deposits Made as Donations

We exempt fees on deposits made to transfer accounts as donations for aid for the promotion of social welfare through the deposit of funds to improve social welfare, academic research of special diseases and businesses involved in environmental conservation.

2 Enhancement of Social Welfare**48 Postage Free of Charge for Braille and Recorded Material**

The postage for mailing Braille or recorded articles is free for those groups meeting the designated criteria (a designated of fourth-class mail).

49 Reduced Yu-Pack Shipping Fees for Braille Books

Lower shipping fees are applied for Yu-Pack and Yu-Mail for materials meeting the designated criteria for (1) sending a Braille book, (2) sending recorded materials between welfare facilities and hearing-impaired persons, and (3) sending books between libraries and persons with disabilities.

50 Discounted Money Transfer Fees for the Visually Impaired

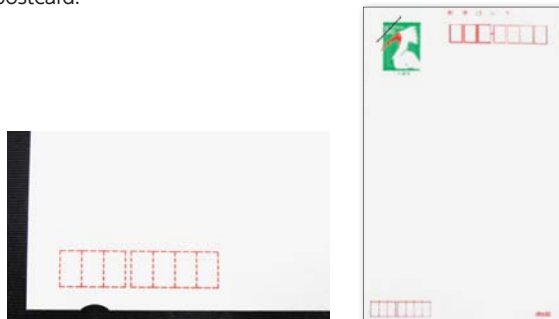
Since January 2011, we have offered discounts on money transfer fees for visually impaired customers transferring money from the counters at the ATM rate.

51 Blue Bird Postcards

We provide 20 postcards in envelopes with a blue bird picture at no cost to severely physically or mentally challenged individuals upon request.

52 Postcards with Indentations (Dimpled Postcards)

We issue postcards with a semi-circular indentation in the lower left corner on the front side of the postcard to enable visually impaired individuals to tell which is the front or back and the top or bottom of the postcard.



53 New Welfare Time Deposits

The new welfare time deposit is a one-year fixed time deposit with a preferential interest rate for persons with disabilities or surviving relatives who are receiving a basic disability pension. An additional 0.25% will be added to the interest rate for the normal one-year term deposits and up to ¥3 million will be deposited per person. For example, the general one-year fixed term deposit with an interest rate of 0.04% on June 13, 2011 would bear an interest rate of 0.29% for a new welfare fixed time deposit.

54 Encouraging Employment of Persons with Disabilities

The percentage of persons with disabilities employed by the entire Japan Post Group during fiscal 2011 was 2.1%, achieving the legal employment rate of 1.8% as we did last fiscal year. We will further promote the employment of persons with disabilities in the future.

55 Establishment of Yusei Challenged Co., Ltd.

We established Yusei Challenged Co., Ltd. (in November 2007) as a special subsidiary of Japan Post Holdings to promote the employment of persons with disabilities in the Japan Post Group. This company performs services such as cleaning, copying and book binding for group companies.

Based on requests from schools and others providing special assistance, we are working to provide a safe work environment by conducting seminars and training for challenged* individuals by coaches and senior coaches and determining the appropriateness of work before hiring them.

* "Challenged" means "people who take on the issue or task with which they are faced without giving in to their disability".

56 Transitioning to Barrier-free Facilities

We are engaged in 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. We have made 8,340 post offices barrier-free as of March 31, 2011.



Braille blocks

Parking for physically challenged customers

57 Making Services Barrier-free

We are providing pension delivery services, Braille signs and Braille notifications as barrier-free services. We are also striving to respond appropriately to customers in general at post offices, including seniors and persons with disabilities.

58 Displaying Mail Pickup Times in Braille

We display mail pickup times in Braille on the postbox.

59 Delivery Notices in Braille

We issue delivery notices in Braille to visually impaired persons to notify an attempt to deliver a letter or Yu-Pack during their absence.

60 Equipping ATMs with Braille Keyboards

We have equipped all of our approximately 26,300 ATMs nationwide with Braille instructions and Braille keyboards for the amount of funds (small bumps rise up to display the amount of funds). The ATMs are also equipped with a built-in telephone receiver and customer earphones can be attached to receive instructions by voice and get information of how to operate the ATM, the amount of funds at issue and the account balance.

61 Braille ATM Card

The customer's name is printed in Braille on the ATM card. We are also sending a separate Braille explanation of how *Yucho IC Cash Cards* can be used.

62 Braille Notices of the Content of Ordinary Deposits

We provide Braille notices of the details of transactions and the current account balance each month for ordinary deposit accounts (one or two times a month). For deposit passbooks, we can attach a Braille sticker showing the type of deposit (and a sticker with the individual's name and the type of deposit for passbook storage envelopes).

63 Braille Notices of the Content of TEIGAKU Deposits and Time Deposits

We provide Braille notices of the contract content, content of collateral loans, maturity date and payment amount for *TEIGAKU* deposits and time deposits. We can attach a Braille seal to the deposit certificate

showing the type of deposit (and a sticker with the individual's name and the type of deposit for certificate storage envelopes).

64 Braille Notices of the Amount of Funds for Transfer Accounts

We provide Braille notices of amounts received and paid for transfer accounts (when received or paid).

65 Product and Service Pamphlets in Braille

Pamphlets in Braille explaining the products and services of Japan Post Bank are available at post offices and Japan Post Bank branches.

66 Braille Notices of the Content of Insurance Agreements

We provide Braille notices of the content of insurance agreements.

67 Braille Notices of Insurance Carried

We provide Braille notices of insurance maturity dates, pension payments, loan content and loan redemption.

3 Cultural and Educational Promotion

68 Reduced Postal Rates for Periodic Publications

We provide reduced postal rates for approved newspapers, weekly magazines and other regular periodicals which are published more than four times each year (third-class mail).

69 Reduced Postal Rates for Correspondence Educational and Academic Publications

Reduced postal rates are applied for mailing academic publications and correspondence educational materials that fulfill certain conditions (a designated of fourth-class mail).

70 Support of a Letter Writing Course at Elementary Schools

Elementary school students have little experience with writing letters so we created educational materials "A Practical Course in Letter Writing" for 22,000 elementary schools in Japan and are distributing these materials free of charge to schools upon request (since June 2010). Approximately one million students in around 5,600 schools participated during fiscal 2011. We also held the "National Presentation Contest for Communication by Postcard," an event where the children could present a series of the practices of writing a postcard and replying to a received postcard (February 2011).

71 Letter Writing Contest

We sponsor a "Letter Writing Contest," which provides children with experience in letter writing and also helps develop well-rounded

children by encouraging communication using written expressions. We solicited entries for "the 43rd Letter Writing Contest" from July through September 2010 and received a total of around 100,000 entries in the three categories of letter writing, postcard writing and illustrated postcard writing. The winners were announced in February 2011.

72 All-Japan New Year's Postcard Contest

We have held the All-Japan New Year's Postcard Contest every year since 2003 to gain recognition of the value of letters through the creation of New Year's postcards by all generations. We held our eighth competition in 2010. We solicited entries from November through December 2010 and received a total of around 110,000 entries in the four categories of woodblock prints, illustrated letters, words and photos. The winners were announced in March 2011.

73 Piggy Bank Design Contest for Children

We held the 35th original piggy bank design contest (for fiscal 2011) to raise awareness of saving among children and enhance their creativity, and received 782,463 entries from 11,905 elementary schools. The 240 works awarded the Minister of Education, Culture, Sports, Science and Technology Incentive Award, the Japan Post Bank Prize and other awards were exhibited in five exhibition halls around the country.

We also donated ¥10 for each work entered to the Japan Committee for UNICEF and the Japan International Cooperation Agency (JICA).

74 Support for Financial Education

We provided materials for the Financial Education Festival (sponsored by the Central Council for Financial Services Information), which enables people to learn about money and develop financial knowledge. We also distributed notebooks for keeping the balance of expenses to children who visited Japan Post Bank branches (during fiscal 2011).

75 Special Support for *Junior Go Grand Master tournament*

We have supported a *Junior Go Grand Master tournament* since fiscal 2010 to foster intergenerational exchange and contribute to local revitalization through the traditional game of *Go*, and to cheer on the children who will represent the future.



Snapshot of the Shikoku competition in fiscal 2011

76 Tei-Park (Communications Museum)

In 1964, the Ministry of Posts and Telecommunications, NTT, KDD (international telephone and telecommunications) and NHK

relocated their four museums to the same building in Otemachi, Chiyoda-ku, and named it Tei-Park (Communications Museum), thereby beginning joint management of some of the services. Two facilities, the Postal Museum of Japan Post Holdings and the NTT Telecommunications Museum of NTT East Corporation, currently manage Tei-Park.

The mission of the Postal Museum is to promote efforts for the dissemination of the culture involving postal services, and the museum is engaged in the collection, retention and display of documents as well as surveys and research for this purpose. It began with the Postal Museum established in the Ministry of Communications in 1902 and just commemorated the 109th anniversary of its opening in June 2011.

77 Studies on the History and Culture of Postal Services

We have been conducting research by university professors and other related parties on the history and culture of postal services utilizing the documents in the possession of the Postal Museum (from October 2008) and announced the results of the research.

4 Promotion of Health and Sports

78 Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

Radio exercise was created by the Postal Insurance Division of the Ministry of Communications in 1928 to promote the health of citizens. *Minna no Taiso* ("Exercise for Everyone") was added in September 1999 and we are working to promote this effort in cooperation with NHK and Japan Radio-taiso Federation, a non-profit organization.

Once a year, the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") is held in one location to have this many people exercise at once, and is broadcast nationwide by NHK TV and other stations. The event will be held in the city of Hamamatsu on July 31, 2011.



Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") (Oita City, August 1, 2010)

79 Health Promotion Living Symposium

We sponsor a symposium on promoting a healthy life to convey relevant information to a broad audience. In February 2011, we held a panel discussion on health in addition to the keynote address by Kenji Ogiwara, the winner of several Olympic medals for Nordic skiing.

80 Co-sponsorship of Interscholastic Athletic Meets

We co-sponsor the athletic meet (National High School Athletic

Meet) held in northern Tohoku (for 23 cities and towns in the four prefectures of Aomori, Iwate, Akita and Miyagi) in fiscal 2012.

81 Co-sponsorship of a High School *Ekiden* Road Relay Race

We plan to co-sponsor a high school road relay race in 2011 (to be held in the Kyoto Prefecture in December).

82 Support of Employee Sports

The women's tennis club of the Japan Post Group took third place in the 25th league playoff (in February 2011) for the Tennis Japan League, the highest corporate tennis league in Japan. The team members are employees who work at post office counters, in sales or other positions. For details, please refer to page 97.

5 Creating a Gender-equal Society

83 Promotion of Women Employees

We are working to create an environment that encourages the promotion of female employees with ambition and ability by providing various kinds of information for their return to work after taking childcare leave as well as other measures to promote the career success of female employees.

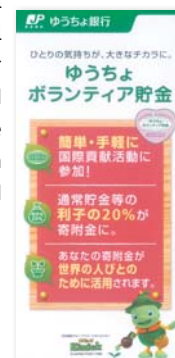
84 Encouraging Support for Raising the Next Generation

We are currently working on measures to support the raising of the next generation at each of the companies in the Japan Post Group. The centerpiece of this will be support for raising children, and we are working actively to produce a guidebook on various kinds of support measures, holding seminars on realizing a work-life balance, creating a program for those returning to the workplace and taking steps to reduce work hours among other measures.

6 International Cooperation and Mutual International Understanding

85 Japan Post Bank Deposits for International Aid

A total of 20% (after-tax) of the interest from ordinary deposits and ordinary savings deposits is donated for international aid program. The donated funds are used for improving the lives of people in developing countries and environmental conservation through the Japan International Cooperation Agency (JICA). Application for the program by *Yucho* Direct was also added in January 2010. As of March 2011, we have received 202,764 applications since we began handling this in October 2008 and have donated a total of approximately ¥2.33 million.



86 Exhibit at 2010 Shanghai Expo

The Japan Post Group had a booth in the Japan Industry Pavilion at the 2010 Shanghai Expo that opened in May. We operated a hands-on theater and showed animation films at the booth under the theme of “Mediator of Communication,” which emphasized the emotional ties forged by mail between friends across the oceans.

87 Participation in the Eco Cap Collection

We have set out collection boxes in each company in the Japan Post Group in Kanagawa Prefecture and Yamanashi Prefecture to collect plastic bottle caps from customers and employees of the Japan Post Group. The collected caps were sent to an NPO (from February 2011). The collected caps are recycled and a portion of the profits is donated for the purchase of vaccines for children in developing countries.

3. Environmental Conservation

1 Cultivation of Forests

88 Japan Post Forests Program

We began tree planting and cultivation activities by employee volunteers in the Japan Post Forest located in Kimitsu City, Chiba Prefecture (from May 2008), and have planted broadleaf trees on 10 hectares over the past three years (Japanese Chestnut Oak, *Konara* Oak, etc.).



Employee volunteers planting trees

89 Children’s Tree-planting Campaign

We co-sponsor an initiative by an NPO engaged in “picking up acorns, planting them in planters and growing a forest,” designed for young children (from fiscal 2009). The purpose of this initiative is to engender environmental awareness in children and help them to be strong and bold in their lives through the experience of forest cultivation. Children in 48 kindergartens and daycare centers nationwide participated.



Children planting oak seedlings

90 Use of Recycled Paper in Regular Postcards

We have been using 40% recycled paper in our regular postcards since fiscal 1993 from the viewpoint of environmental conservation; however, it was found that our suppliers could not comply this requirement. We therefore switched to “20% or more” for the postcards issued during fiscal 2010 and subsequently achieved “40% or more” from the end of February 2011 in line with the policy on improving the environmental quality.

91 Reduction in Copy Paper

We are implementing a system for reducing the quantity of copy paper used in Group companies. Our efforts include promoting double-sided copying, making reduced-size copies, using the backsides of paper and reducing meeting hand-outs materials.

2 Measures to Address Global Warming

The CO₂ emissions reduction target for the entire Japan Post Group is 9% for fiscal 2013 compared with fiscal 2007 based on the Japan Post Group Environmental Vision. We achieved a 6.6% reduction on an actual basis in fiscal 2010 and are continuing to make steady progress.

92 Introduction of Eco-friendly Vehicles

Japan Post Service utilizes 55 electric/plug-in hybrid vehicles for commercial use (fiscal 2010). A total of 20 hybrid trucks for mail pickup and delivery are also utilized (fiscal 2011).

At Japan Post Network, we have deployed seven electric cars and have switched 14 motorcycles to power-assisted bicycles (fiscal 2011).



93 Installation of Charging Equipment

We have installed an electrical outlet in the customer parking lot at the Fukue Branch of Japan Post Service (Goto Islands, Nagasaki Prefecture) to test the charging equipment for corporate and customer use.

94 Eco-friendly Driving

We support a “Safe Eco-Driving” contest for mail delivery personnel and sales personnel nationwide in an effort to reduce CO₂ emissions and traffic accidents through well-mannered driving.

95 Establishment of Environmentally Friendly Facilities

We are introducing environmentally friendly energy-saving measures when building new facilities or conducting large-scale renovations by using high-grade thermal insulation in buildings to lower the burden on air conditioners and striving to improve efficiency by installing energy-saving equipment at each facility. We have also conducted energy conservation evaluations at facilities with a high level of CO₂ emissions and are introducing ESCO businesses* using subsidies at some facilities.

We have upgraded to energy-saving equipment such as LED lights in lighting fixtures and inverter-controlled air conditioners to reduce electric power consumption.

* ESCO businesses refer to projects conducted by Energy Service Companies, which provide comprehensive services that include proposals for energy-saving, provision of equipment, and maintenance and management.

96 Environmental Management

A total of 71 post offices, 79 Japan Post Service branches, and 27 Japan Post Bank branches have attained ISO 14001 certification, the international standard for environmental management systems. In addition, we have also produced a guidebook for energy-saving measures.

97 Carbon Offset* Postcards

We have issued carbon offset New Year's postcards and summer greeting postcards (Kamo-Mail), whereby a ¥5 donation for each postcard plus the same amount matched by Japan Post Service, for a total donation of ¥10, which was distributed to 19 NPOs specialized in global environmental conservation efforts (Amount distributed: ¥156.5 million for fiscal 2011).

We have also contributed to activities for preventing global warming (¥38 million for fiscal 2011).

* "Carbon offset" is the view that one can offset carbon emissions by investing in other reduction activities in addition to making an effort to reduce greenhouse gases.



We also acquired third-party certification of our carbon offset postcards under Ministry of the Environment standards in order to increase the trustworthiness of our carbon offset initiatives. <http://www.4cj.org/>

98 Awarded the 2010 Japan Eco Action Grand Prize

We received an award for our carbon offset postcard in the innovative business examples division for the first Japan Eco Action Grand Prize (sponsored by the Japan Eco Action Association) to commend companies and groups engaged in innovative businesses corresponding to the Eco Action Points Program promoted by the Ministry of the Environment.

99 Collection of Used Ink Cartridges, etc.

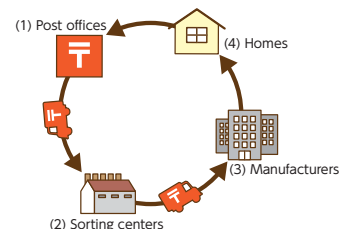
We have set up used ink cartridge collection boxes at 3,639 post offices nationwide (as of March 31, 2011). Used cartridges are sent to sorting centers using our Yu-Pack service and then returned to the respective companies for resource recycling.

We also collect fire extinguishers and personal home computers.

Ink Cartridge Special Collection Box



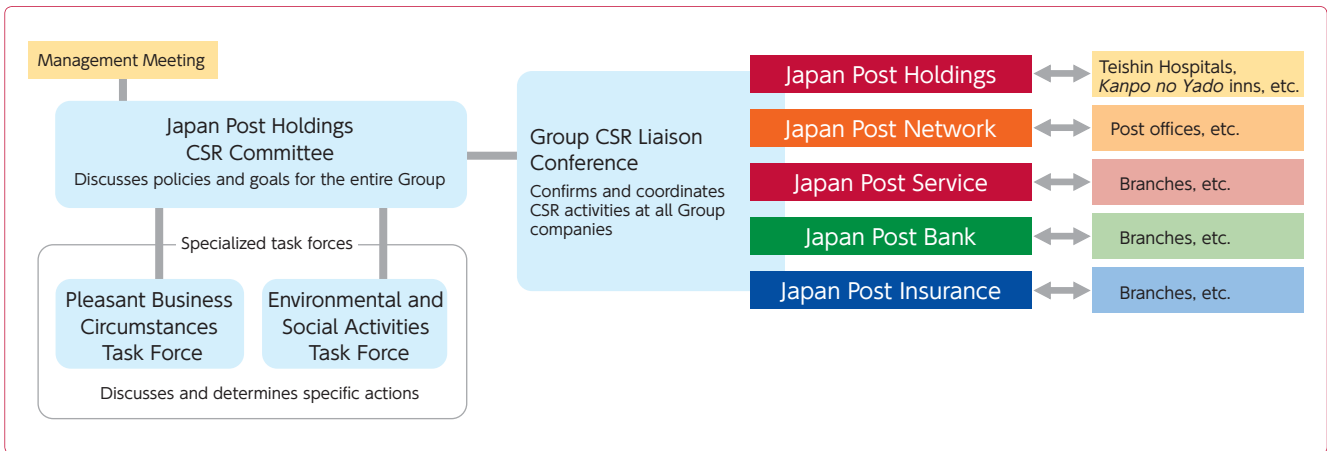
Ink Cartridge Collection Cycle



100 Solar Power Generation Systems Set-up

We began to set-up solar power generation systems as one of the post office referral services in August 2009 in four cities in Saitama Prefecture (Saitama, Kawagoe, Fukaya and Kumagaya) and began implementation at post offices throughout Saitama Prefecture (excluding contracted post offices) from April 2010.

3. Japan Post Group CSR Organization



TOPICS

Japan Post Group Women's Tennis Club Takes 3rd Place Encouraging practice in the course of daily tasks

The women's tennis club of the Japan Post Group debuted in the final tournament (as one of the top 4 teams out of the 10 teams participating in the Japan league) of the 25th Tennis Japan League and took 3rd place only three years after stepping up to the Tennis Japan League, the top corporate tennis league in the nation.

There are six team members. Each of them performs daily tasks at post office counters or in sales or other positions on weekdays, and then practices hard on weekends, thus leading to this result. Players Yuko Tanaka and Kasumi Hattori received awards for being the top rookie players.



Japan Post Group: Team members of the women's tennis club

- [Director] Toshihiro Tsuboi, Managing Executive Officer, Japan Post Network Co., Ltd.
- [Manager] Chiharu Kaneko (formerly of the Research Institute of Electrical Communication)
- [Coach] Naoko Michimoto (Kokubunji Post Office)
- [Player] Yuko Ito (Japan Post Holdings Co., Ltd., General Affairs & Human Resources Department)
- Kaori Matsuyama (Japan Post Service Co., Ltd., Shibuya Branch)
- Naoko Michimoto (Kokubunji Post Office)
- Yuko Tanaka (Itabashi Tokumaru Post Office)
- Kasumi Hattori (Musashino Gotenyama Post Office)
- Rurie Hirose (Japan Post Staff Co., Ltd.)



(Top row from left) Director Toshihiro Tsuboi, player Naoko Michimoto who also serves as coach, Kaori Matsuyama and Rurie Hirose (Bottom row from left) Yuko Ito, Kasumi Hattori (left) and Yuko Tanaka (right)

What is the Tennis Japan League?

The Japan League is the top domestic competition for corporate tennis among tennis matches sponsored by the Japan Tennis Association. A total of 10 teams are divided into two blocks, the red teams and the blue teams, and each block engages in round robin tournaments, with the two top teams from each block proceeding to the final tournament.

Corporate Data

CONTENTS

1. Japan Post Group Management Philosophy, etc.	
1. Group Management Philosophy	100
2. Group Management Policy	100
3. Japan Post Group Charter of Corporate Conduct	100
2. Outline of Japan Post Holdings Co., Ltd.	
1. Company Outline	101
2. Information on Shares.....	101
3. Number of Employees	101
4. List of Directors, Executive Officers and Management Committees	102
5. Organization Chart	103
6. Principal Subsidiaries and Affiliates of Japan Post Holdings	104
7. Museums and Libraries	105
8. Teishin Hospitals.....	105
9. Hotels	106
3. Outline of Japan Post Network Co., Ltd.	
1. Company Outline	108
2. Management Philosophy	108
3. Information on Shares.....	108
4. Number of Employees	108
5. List of Directors, Auditors and Executive Officers	109
6. Organization Chart	110
7. Names and Locations of Regional Offices.....	111
8. Post Offices by Prefecture	112
9. Outline of Subsidiary	113
4. Outline of Japan Post Service Co., Ltd.	
1. Company Outline	114
2. Management Philosophy	114
3. Information on Shares.....	114
4. Number of Employees	115
5. List of Directors, Auditors and Executive Officers	115
6. Organization Chart	116
7. Names and Locations of Regional Offices.....	117
8. Number of Offices by Prefecture	117
9. Principal Subsidiaries	118
10. Number of Post Boxes	118
11. Outsourcing	118
12. Number of Locations Selling Postage Stamps and Revenue Stamps	119
13. Number of Vehicles Owned	119
5. Outline of Japan Post Bank Co., Ltd.	
1. Company Outline	120
2. Management Philosophy	120
3. Information on Shares.....	120
4. Number of Employees	120
5. List of Directors, Executive Officers and Management Committees	121
6. Organization Chart.....	122
7. Principal Business Locations	123
8. Japan Post Bank Offices by Prefecture	123
9. Number of ATMs by Prefecture	124
10. Outline of Affiliated Company	124
6. Outline of Japan Post Insurance Co., Ltd.	
1. Company Outline	125
2. Management Philosophy	125
3. Information on Shares.....	125
4. Number of Employees	126
5. List of Directors, Executive Officers and Management Committees	126
6. Organization Chart	127
7. Principal Branches (Regional Control Offices)	128

1. Japan Post Group Management Philosophy, etc.

1 Group Management Philosophy

Stressing the security and confidence that Japan Post, as a public organization, has fostered, the Group, as a private corporation, will demonstrate creativity and efficiency to the greatest extent possible, meet customers' expectations, raise customer satisfaction and grow together with customers. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

2 Group Management Policy

1. We will duly consider our customers' viewpoints, exercise our creativity and provide through our nationwide network a selection of products and services that customers truly appreciate.
2. We will establish effective corporate governance and compliance programs, including internal audits and internal controls.
3. We will maintain the transparency of the Group's operations through the timely and proper disclosure of information, the appropriate use of intra-group transactions and other activities.
4. We will create opportunities for all employees, business partners and the community to grow and develop through mutual cooperation.

3 Japan Post Group Charter of Corporate Conduct

(1) Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

(2) Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

(3) Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

(4) Create value

- We provide valued and high-quality services that exceed customers' expectations.
- We create value consistently by pursuing greater operating efficiency.
- We play a role as individual employees to create corporate value by promoting mutual understanding and cooperation.

(5) Be a source of change

- We make improvements by responding swiftly to changes and emphasizing speed.
- We exercise our creativity from a broad viewpoint and lofty perspective.
- We aggressively take on the challenge of conducting global business activities.

2. Outline of Japan Post Holdings Co., Ltd.

1 Company Outline

Company name (in Japanese):	Nippon Yusei Kabushiki Kaisha
Company name:	JAPAN POST HOLDINGS Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500.0 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:	Human Affairs and Accounting Consolidating Center: 1; Accident Compensation Center: 1; Health Management Administration Center: 1; Health Management Offices: 49; Facility Management Centers: 7; Japan Post Teishin Hospitals: 14; Hotels: 71; Museums and Libraries: 6; JP Customer Service Consulting Center: 1

2 Information on Shares

1. Number of Shares

Authorized number of shares	600,000,000
Total shares issued	150,000,000
Number of shareholders as of the end of fiscal 2011	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

3,301* (as of March 31, 2011)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Holdings Co., Ltd. Excludes temporary employees.

(As of July 1, 2011)

1. Directors

Chairman (Outside)	Takashi Nishioka (Concurrently holds the positions of Senior Advisor of Mitsubishi Heavy Industries, Ltd., and Chairman of the Board of Mitsubishi Motors Corporation)
President & CEO (Representative Executive Officer)	Jiro Saito (Concurrently holds the positions of Director of Japan Post Network Co., Ltd., Director of Japan Post Service Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Deputy President (Representative Executive Officer).....	Atsuo Saka
Deputy President (Representative Executive Officer).....	Yoshiyuki Izawa (Concurrently holds the position of President & CEO of Japan Post Bank Co., Ltd.)
Deputy President (Representative Executive Officer).....	Toshinari Takai
Deputy President (Representative Executive Officer).....	Seijiro Adachi
Deputy President (Representative Executive Officer).....	Toshio Nagashima
Director (Outside)	Hiromitsu Ishi (Concurrently holds the position of Professor Emeritus at Hitotsubashi University)
Director (Outside)	Hidekazu Inoue (Concurrently holds the position of Director of Japan Post Network Co., Ltd.; formerly held the position of President of Nippon Telegraph and Telephone East Corporation)
Director (Outside)	Taro Irimajiri (Concurrently holds the position of President & CEO of Irimajiri Group Inc.)
Director (Outside)	Tadashi Okamura (Concurrently holds the positions of Chairman of the Japan Chamber of Commerce and Industry and Advisor to the Board of Toshiba Corporation)
Director (Outside)	Hiroshi Okuda (Concurrently holds the position of Senior Advisor of Toyota Motor Corporation)
Director (Outside)	Goro Kamino (Concurrently holds the position of President of SALA Corporation)
Director (Outside)	Kiyohiko Koike (Concurrently holds the position of Mayor of Kamo City (Niigata Prefecture))
Director (Outside)	Koichi Sugiyama (Formerly held the position of Executive Vice President of Mitsubishi Heavy Industries, Ltd.)
Director (Outside)	Ayako Sono (Novelist)
Director (Outside)	Akio Harada (Attorney-at-law)
Director (Outside)	Shingo Matsuo (Concurrently holds the position of Chairman of Kyushu Electric Power Co., Inc.)
Director (Outside)	Takao Watanabe (Concurrently holds the positions of Chairman of Nishijin Textile Industrial Association and President of Watabun Co., Ltd.)

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Directors)

Senior Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Network Co., Ltd.)	Toru Takahashi	Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Insurance Co., Ltd.)	Toshihisa Minakata
Senior Managing Executive Officer	Hideharu Sasaki	Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Bank Co., Ltd.)	Susumu Tanaka
Senior Managing Executive Officer	Eisuke Fujimoto	Executive Officer	Tetsuhiko Yoshizawa
Senior Managing Executive Officer (Concurrently holds the position of Executive Vice President of Japan Post Service Co., Ltd.)	Yoshiro Nakajo	Executive Officer	Hisao Yamano
Senior Managing Executive Officer (Concurrently holds the position of Executive Vice President of Japan Post Network Co., Ltd.)	Chikanori Saio	Executive Officer	Kimihiko Oku
Managing Executive Officer	Masatoshi Shinoda	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Network Co., Ltd.)	Susumu Inoue
Managing Executive Officer	Kenichiro Hamada	Executive Officer	Noboru Ichikura
Managing Executive Officer (Concurrently holds the position of Senior Executive Officer of Japan Post Service Co., Ltd.)	Takao Miwa		
Managing Executive Officer	Kunio Tanigaki		

3. Nomination Committee

Chairperson	Hiroshi Okuda
Member	Hidekazu Inoue
Member	Tadashi Okamura
Member	Jiro Saito
Member	Atsuo Saka

4. Audit Committee

Chairperson	Hiromitsu Ishi
Member	Hidekazu Inoue
Member	Koichi Sugiyama

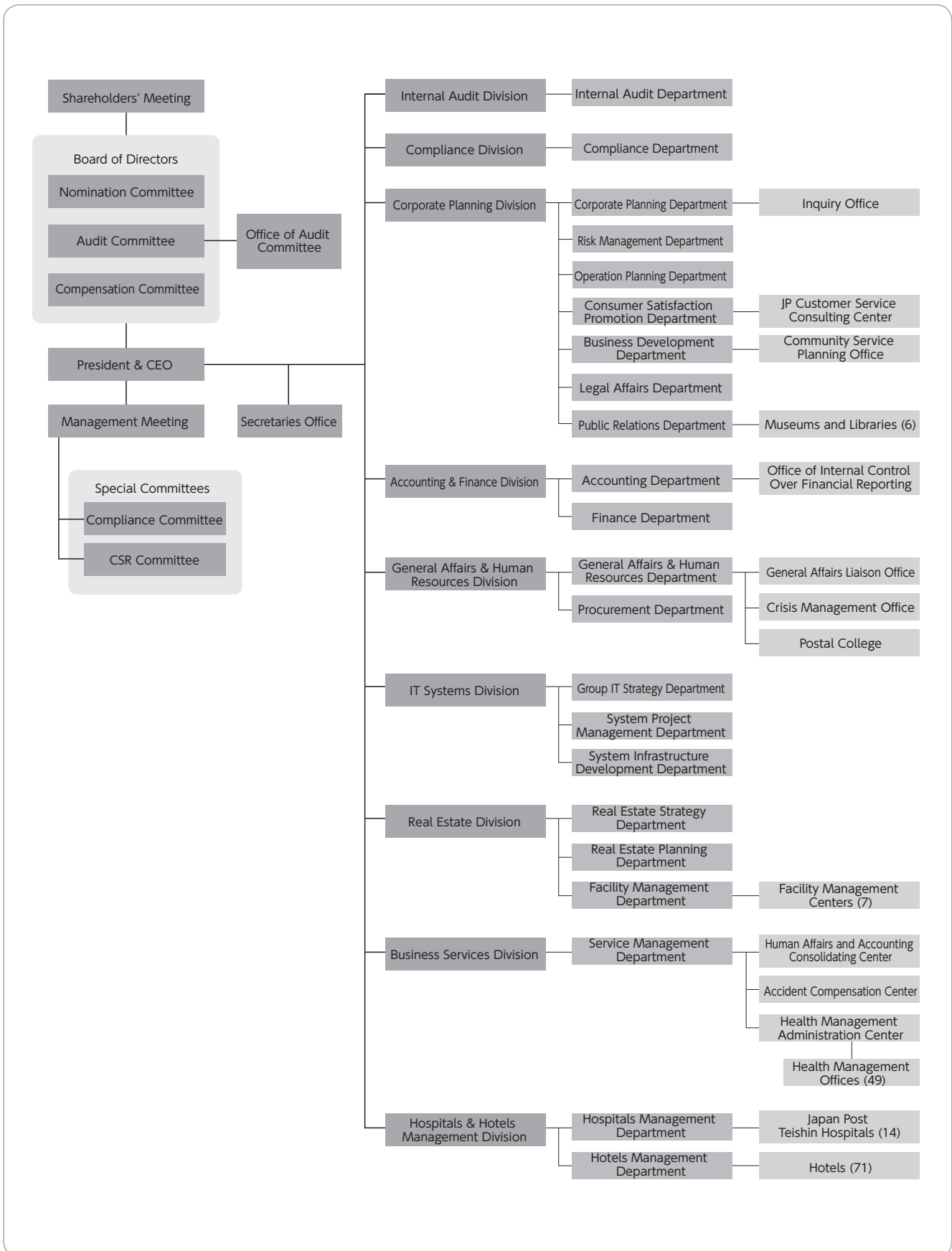
5. Compensation Committee

Chairperson	Hiroshi Okuda
Member	Tadashi Okamura
Member	Takashi Nishioka
Member	Jiro Saito
Member	Atsuo Saka

5

Organization Chart

(As of July 1, 2011)



6

Principal Subsidiaries and Affiliates of Japan Post Holdings

(As of March 31, 2011)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	Japan Post Network Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000	Post office counter-related business	October 1, 2007	100.0% (0.0%)
	Japan Post Service Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000	Postal and parcel delivery operations	October 1, 2007	100.0% (0.0%)
	Japan Post Bank Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	100.0% (0.0%)
	Japan Post Insurance Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	100.0% (0.0%)
	Japan Post Staff Co., Ltd.	Chuo-ku, Tokyo	¥140	Contract staffing service	July 3, 2007	100.0% (0.0%)
	Yusei Challenged Co., Ltd.	Setagaya-ku, Tokyo	¥5	Office cleaning, others	November 20, 2007	100.0% (0.0%)
	Post Office Business Support Co., Ltd.	Koto-ku, Tokyo	¥100	Merchandise business, contracting business for merchandise operations	September 11, 2007	100.0% (100.0%)
	JP Logi Service Co., Ltd.	Chuo-ku, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6% (67.6%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	58.5% (58.5%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Product development of direct media	February 29, 2008	51.0% (51.0%)
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0% (100.0%)
JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0% (60.0%)	
Affiliated companies accounted for under the equity method	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Bank agency operations	May 28, 1980	45.0% (45.0%)

*1 The figures in parentheses in the column showing percentage ownership of voting rights indicate the percentage of indirect ownership through consolidated subsidiaries.

*2 Established Japan Post Building Management Co., Ltd. on April 1, 2011

*3 Established Japan Post Hotel Service Co., Ltd. on April 1, 2011

7

Museums and Libraries

The Japan Post Group has museums and libraries relating to its activities, including Communications Museum (Tei-Park).

Name of facility	Location	Telephone number
Communications Museum (Tei-Park)	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004	03-3244-6811
Maejima Memorial Museum	1317-1, Shinmeigae, Shimo Ikebe, Joetsu, Niigata 943-0119	025-524-5550
Sakano Memorial Museum	1039-1, Kaidani, Kita-ku, Okayama, Okayama 701-1144	086-294-5851
Postal Museum in Meiji-mura	Museum Meiji-mura, 1 Uchiyama, Inuyama, Aichi 484-0000	0568-67-0314
Atomic Bomb Information Museum, located in the former Outpatient Wing of the Hiroshima Teishin Hospital	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-0004	Note
Okinawa Postal Museum	3-8, Tsubokawa 3-chome, Naha, Okinawa 900-8799	098-854-0255

Note: Persons wishing to visit the Atomic Bomb Information Museum, located in the former Outpatient Wing of the Hiroshima Teishin Hospital should contact the General Affairs section of the Hiroshima Teishin Hospital at 082-224-5350 (Japanese only).

8

Teishin Hospitals

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 Rokkakucho, Shinmachi Nishiiru, Rokkakutori, Nakagyo-ku, Kyoto, Kyoto 604-8798	075-241-7167
Osaka Kita Teishin Hospital	1-6, Nakazaki 1-chome, Kita-ku, Osaka, Osaka 530-8798	06-6361-2071
Kobe Teishin Hospital	2-43, Kami-tsutsui Dori 6-chome, Chuo-ku, Kobe, Hyogo 651-8798	078-232-7519
Hiroshima Teishin Hospital	19-16, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8798	082-224-5350
Tokushima Teishin Hospital	19-2, Iga-cho 3-chome, Tokushima, Tokushima 770-8798	088-623-8611
Fukuoka Teishin Hospital	6-11, Yakuin 2-chome, Chuo-ku, Fukuoka, Fukuoka 810-8798	092-741-0300
Kagoshima Teishin Hospital	12-1, Shimo Ishiki 1-chome, Kagoshima, Kagoshima 890-8798	099-223-6013

(As of July 1, 2011)

1. Kanpo no Yado Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
1	Otaru	2-670, Asarigawa Onsen, Otaru, Hokkaido 047-0192	0134-54-8511	31	
2	Tokachigawa	9-1, Kita, Tokachigawa Onsen, Otofuke-cho, Kato-gun, Hokkaido 080-0262	0155-46-2141	43	
3	Ichinoseki	147-5, Horyu, Genbi-cho, Ichinoseki, Iwate 021-0101	0191-29-2131	55	
4	Yokote	1-20, Shiotsuke, Mutsunari, Yokote, Akita 013-0008	0182-32-5055	42	
5	Matsushima	89-53, Minami-Akasaki, Nobiru, Higashi-Matsushima, Miyagi 981-0411	—	54	Operations currently suspended*2
6	Koriyama	3-198, Atami, Atami-machi, Koriyama, Fukushima 963-1380	024-984-3511	36	
7	Iwaki	60, Shibazaki, Tairafujima, Iwaki, Fukushima 970-0103	0246-39-2670	59	
8	Oarai	7986-2, Isohama-cho, Oarai-machi, Higashi-Ibaraki-gun, Ibaraki 311-1301	029-267-3191	52	
9	Itako	1830-1, Mizuhara, Itako, Ibaraki 311-2404	0299-67-5611	58	
10	Shiobara	1256, Shiobara, Nasushiobara, Tochigi 329-2921	0287-32-2845	39	
11	Tochigi Kitsuregawa Onsen	5296-1, Kitsuregawa, Sakura, Tochigi 329-1412	028-686-2822	53	
12	Kusatsu	464-1051, Kusatsu, Kusatsu-machi, Agatsuma-gun, Gunma 377-1794	0279-88-5761	48	
13	Isobe	22, Gobara, Annaka, Gunma 379-0135	027-385-6321	51	
14	Yorii	2267, Sueno, Yorii-machi, Osato-gun, Saitama 369-1205	048-581-1165	51	
15	Kamogawa	1137, Nishi-cho, Kamogawa, Chiba 296-0043	04-7092-1231	101	
16	Asahi	2280-1, Nittama, Asahi, Chiba 289-2525	0479-63-2161	75	Operations currently suspended*2
17	Katsuura	2183-5, Ubara, Katsuura, Chiba 299-5243	0470-76-3011	50	
18	Ome	668-2, Komaki-cho 3-chome, Ome, Tokyo 198-0053	0428-23-1171	52	
19	Hakone	159, Motohakone, Hakone-machi, Ashigarashimo-gun, Kanagawa 250-0522	0460-84-9126	29	
20	Isawa	348-1, Matsumoto, Isawa-cho, Fuefuki, Yamanashi 406-0021	055-262-3755	54	
21	Kashiwazaki	2-15, Kotobuki-cho, Kashiwazaki, Niigata 945-0846	—	—	Temporarily closed
22	Suwa	15-16, Owa 2-chome, Suwa, Nagano 392-0001	0266-52-1551	36	
23	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	
24	Shuzenji	1257-4, Kumasaka, Izu, Shizuoka 410-2411	0558-72-3151	32	
25	Izukogen	1104-5, Yawatano, Ito, Shizuoka 413-0232	0557-51-4400	59	
26	Toyama	5691-2, Hane, Fuchu-machi, Toyama, Toyama 939-2694	076-469-3135	40	
27	Yamashiro	32-1, Onsen-dori, Yamashiro Onsen, Kaga, Ishikawa 922-0254	0761-77-1600	46	
28	Fukui	43-17, Fuchi-machi, Fukui, Fukui 918-8026	0776-36-5793	33	
29	Yaizu	1375-2, Hamatome, Yaizu, Shizuoka 425-8533	054-627-0661	43	
30	Hamanako-Mikkabi	2977-2, Tsuzuki, Mikkabi-cho, Kita-ku, Hamamatsu, Shizuoka 431-1496	053-526-1201	41	
31	Sangane	1-221, Nyukaizan, Higashihazu-cho, Nishio, Aichi 444-0701	0563-62-2650	32	
32	Chita-Mihama	39, Suhara, Okuda, Mihama-cho, Chita-gun, Aichi 470-3233	0569-87-1511	42	
33	Ena	2709, Oi-cho, Ena, Gifu 509-7201	0573-26-4600	54	
34	Gifu-Hashima	1041, Umaminami, Kuwabara-cho, Hashima, Gifu 501-6323	058-398-2631	40	
35	Toba	1200-7, Arashima-cho, Toba, Mie 517-0021	0599-25-4101	58	
36	Kumano	1020-7, Ido-cho, Kumano, Mie 519-4324	0597-89-4411	27	
37	Hikone	3759, Matsubara-cho, Hikone, Shiga 522-0002	0749-22-8090	41	
38	Maizuru	224-5, Ueyasu, Maizuru, Kyoto 624-0912	—	—	Temporarily closed
39	Tondabayashi	880-1, Ryusen, Tondabayashi, Osaka 584-0053	0721-33-0700	43	

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
40	Yamatoheguri	16-1, Kamisho 2-chome, Heguri-cho, Ikoma-gun, Nara 636-0905	0745-45-0351	34	
41	Nara	9-1, Nijo-cho 3-chome, Nara, Nara 630-8002	0742-33-2351	40	
42	Shirahama	1688-2, Shirahama-cho, Nishimuro-gun, Wakayama 649-2211	0739-42-2980	31	
43	Kii-Tanabe	24-1, Mera, Tanabe, Wakayama 646-8501	0739-24-2900	52	
44	Arima	1617-1, Arima-cho, Kita-ku, Kobe, Hyogo 651-1401	078-904-0951	53	
45	Ako	883-1, Misaki, Ako, Hyogo 678-0215	0791-43-7501	50	
46	Awajishima	824, Toshima, Awaji, Hyogo 656-1711	0799-82-1073	40	
47	Kaike	1-7, Kaikeshinden 3-chome, Yonago, Tottori 683-0002	0859-33-4421	35	
48	Mimasaka Yunogo	674-7, Nakayama, Mimasaka, Okayama 707-0061	0868-72-5551	35	
49	Takehara	442-2, Nishino-cho, Takehara, Hiroshima 725-0002	0846-29-0141	40	
50	Hikari	31-1, Murozumi-Higashinosho, Hikari, Yamaguchi 743-0005	0833-78-1515	40	
51	Yuda	1-42, Kanda-cho, Yamaguchi, Yamaguchi 753-0064	083-922-5226	40	
52	Kanonji	1101-4, Ikenoshiri-cho, Kanonji, Kagawa 768-0031	0875-27-6161	55	
53	Sakaide	2048-91, Takaya-cho, Sakaide, Kagawa 762-0017	0877-47-0531	41	
54	Tokushima	3-70, Nakatsuyama, Hachiman-cho, Tokushima, Tokushima 770-8071	088-625-1255	46	
55	Dogo	3-1, Mizonobe-machi, Matsuyama, Ehime 791-0101	089-977-0460	54	
56	Ino	1569, Hakawa, Ino-cho, Agawa-gun, Kochi 781-2128	088-892-1580	52	
57	Kitakyushu	2829, Arige, Wakamatsu-ku, Kitakyushu, Fukuoka 808-0123	093-741-1335	50	
58	Yanagawa	10-1, Yashiro-machi, Yanagawa, Fukuoka 832-0057	0944-72-6295	40	
59	Shimabara	8362-3, Hakusan-machi, Shimabara, Nagasaki 855-0824	—	—	Temporarily closed
60	Beppu	457, Tsurumi, Beppu, Oita 874-0844	0977-66-1271	49	
61	Hita	685-6, Nakanoshima-machi, Hita, Oita 877-0074	0973-24-0811	53	
62	Yamaga	2450, Shijiki, Yamaga, Kumamoto 861-0542	0968-43-5121	28	
63	Aso	5936, Miyaji, Ichinomiya-machi, Aso, Kumamoto 869-2612	0967-22-1122	66	
64	Nichinan	2228-1, Hoshikura, Nichinan, Miyazaki 889-2533	0987-22-5171	46	
65	Recreation Center in Naha	9-15, Minato-machi 2-chome, Naha, Okinawa 900-0001	098-862-4740	76	

2. Kanpo no Sato Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
66	Sakata	17-26, Iimoriyama 3-chome, Sakata, Yamagata 998-8588	0234-31-4126	39	
67	Hakusan-Oguchi	43-3, U, Seto, Hakusan, Ishikawa 920-2331	076-256-8080	43	
68	Shobara	281-1, Shinjo-cho, Shobara, Hiroshima 727-0004	0824-73-1800	62	
69	Usa	1571-1, Kawabe, Usa, Oita 879-0452	0978-37-2288	32	

3. Rafre Saitama and Other Facilities

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
70	Rafre Saitama	3-2, Shintoshin, Chuo-ku, Saitama, Saitama 330-0081	048-601-1111	187	
71	U-Port Recreation Center in Setagaya	17-1, Kamata 2-chome, Setagaya, Tokyo 157-0077	03-3709-0161	—	

Notes 1: For more details, contact the hotels directly or call the customer service center of *Kanpo no Yado* inns at 0120-715294 (weekdays: 9:30 to 17:30).

2: The suspension of operations in Matsushima and Asahi is due to the impact of the Great East Japan Earthquake.

3: Each accommodation facility has formed a disaster agreement beforehand with local municipalities to provide evacuation areas, bathing facilities and food in accordance with requests from these municipalities (except Koriyama).

3. Outline of Japan Post Network Co., Ltd.

1 Company Outline

Company name (in Japanese):	Yubinkyoku Kabushiki Kaisha
Company name:	JAPAN POST NETWORK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥100 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Network Act (Law No. 100 of October 21, 2005)
Lines of business:	Postal counter operations for regular mail, parcels and other items; sales of revenue stamps; bank agency services; intermediary services for financial products; solicitation of life and non-life insurance; real estate business; merchandise sales; and operations consigned by local government entities

2 Management Philosophy

Management Philosophy

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

1. We will supply products and services that precisely match customers' needs from the perspective of each one of them.
2. We will create an even better infrastructure for our customers' lives, constantly upgrading the post office network's capabilities by evolving with social and regional changes.
3. We will fulfill our responsibilities as a corporate citizen by establishing corporate governance systems and strictly implementing compliance.
4. We will encourage all employees to refine their skills and aim for higher goals while interacting with society and the residents of the communities we serve.

3 Information on Shares

1. Number of Shares

Total shares issued	4,000,000
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2. Shareholder

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

4 Number of Employees

110,865* (as of March 31, 2011)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Network Co., Ltd. Excludes temporary employees.

(As of July 1, 2011)

1. Directors

Chairman & CEO.....	Koji Furukawa
President.....	Akira Nagatomi
Executive Vice President.....	Chikanori Saio (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director (Outside).....	Hidekazu Inoue (Formerly held the position of President of Nippon Telegraph and Telephone East Corporation; concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Director (Outside).....	Seisuke Ueshima (Formerly held the position of Chairman of Yamaha Corporation)
Director (Outside).....	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)

2. Auditors

Haruki Inuma
Kiyoshi Nishimura
Yoshikazu Yamaguchi
Satoru Ito

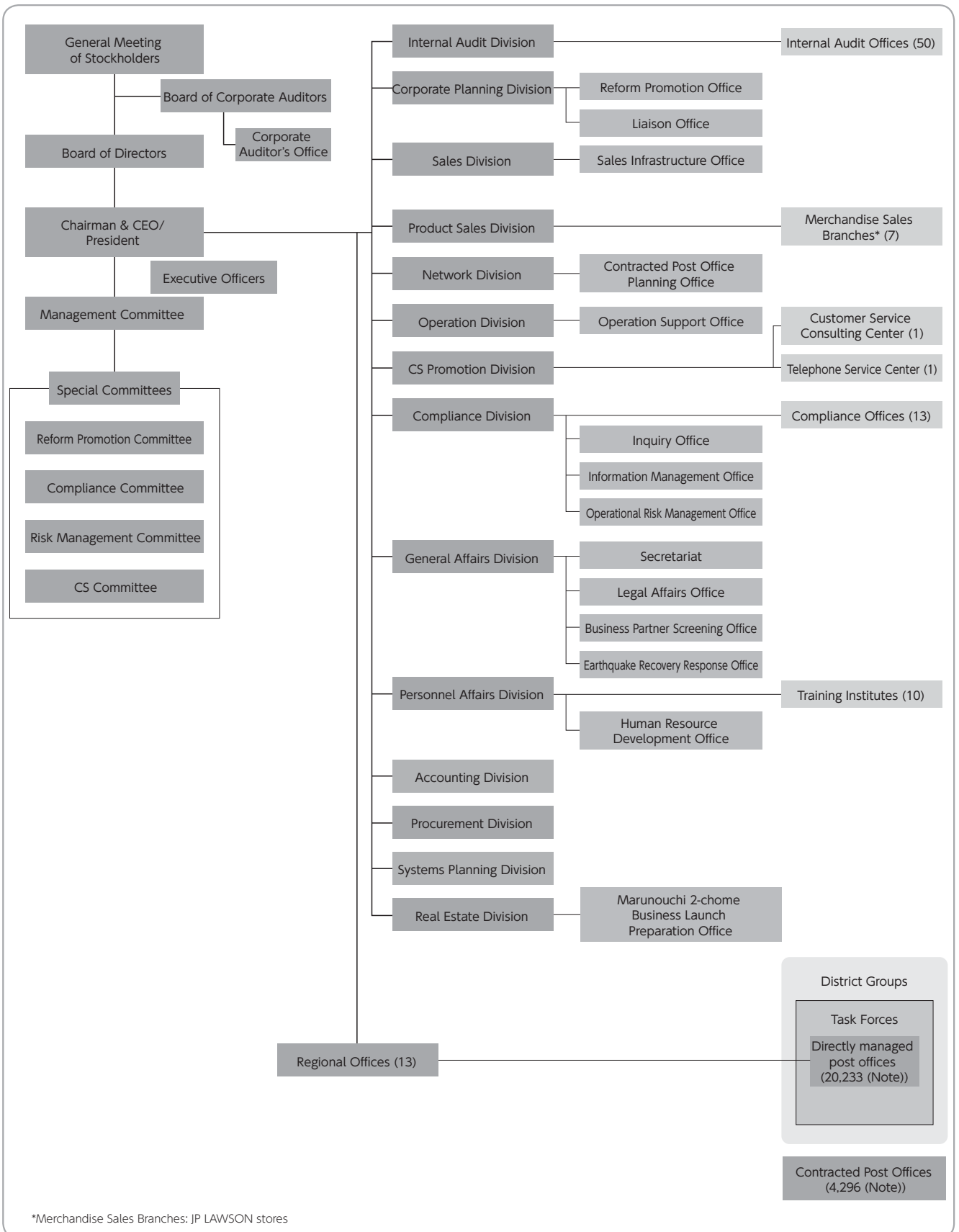
3. Executive Officers

Senior Managing Executive Officer	Nobuyuki Hidaka	Managing Executive Officer	Yoshikazu Kurita
Senior Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Toru Takahashi	Managing Executive Officer	Tameyasu Tsukada
Managing Executive Officer	Manabu Kawamura	Managing Executive Officer	Shin Ueda
Managing Executive Officer	Hitoshi Shirakawa	Executive Officer	Atsuko Onodera
Managing Executive Officer	Kinzo Nakazawa	Executive Officer	Kiyoshi Kobayashi
Managing Executive Officer	Toshihiro Tsuboi	Executive Officer	Yoshihiko Ota
Managing Executive Officer	Kazuya Yamaguchi	Executive Officer	Koji Wada
Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Bank Co., Ltd.)	Satoshi Hoshino	Executive Officer	Yasunao Taketomi
Managing Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Bank Co., Ltd.)	Kikuo Kushibiki	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	Hisaharu Nakajima
			Susumu Inoue

6

Organization Chart

(As of July 1, 2011)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2011.

7

Names and Locations of Regional Offices

(As of July 1, 2011)

Name of regional office	Location
Hokkaido	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	1-1, Sakuragi-cho, Naka-ku, Yokohama, Kanagawa 231-0062
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797
Tokai	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797

8

Post Offices by Prefecture

(As of March 31, 2011)

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	1,214	0	281	1,495	1	0	19	20	1,515
Aomori	265	0	92	357	2	0	3	5	362
Iwate	267	0	94	361	41	0	30	71	432
Miyagi	317	0	72	389	46	0	21	67	456
Akita	273	0	128	401	0	0	0	0	401
Yamagata	289	0	108	397	0	0	1	1	398
Fukushima	394	0	94	488	38	0	22	60	548
Ibaraki	465	0	53	518	0	0	3	3	521
Tochigi	311	0	43	354	0	0	4	4	358
Gunma	302	0	38	340	0	0	0	0	340
Saitama	623	0	19	642	0	0	0	0	642
Chiba	690	0	33	723	1	0	1	2	725
Kanagawa	752	1	13	766	0	0	1	1	767
Yamanashi	201	0	55	256	0	0	11	11	267
Tokyo	1,495	5	7	1,507	7	0	0	7	1,514
Niigata	535	2	140	677	0	0	7	7	684
Nagano	445	0	201	646	0	0	14	14	660
Toyama	212	0	78	290	0	0	1	1	291
Ishikawa	254	1	71	326	0	0	1	1	327
Fukui	210	0	33	243	0	0	0	0	243
Gifu	355	1	91	447	0	0	11	11	458
Shizuoka	484	0	98	582	0	0	21	21	603
Aichi	835	5	78	918	0	0	16	16	934
Mie	372	0	86	458	0	0	9	9	467
Shiga	229	0	30	259	0	0	2	2	261
Kyoto	441	2	34	477	1	0	0	1	478
Osaka	1,086	6	31	1,123	0	0	0	0	1,123
Hyogo	840	3	121	964	0	0	2	2	966
Nara	241	0	82	323	0	0	0	0	323
Wakayama	263	0	54	317	0	0	0	0	317
Tottori	147	0	96	243	0	0	4	4	247
Shimane	257	0	118	375	0	0	4	4	379
Okayama	419	3	104	526	0	0	10	10	536
Hiroshima	583	1	117	701	0	0	4	4	705

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Yamaguchi	354	2	60	416	0	0	5	5	421
Tokushima	203	0	31	234	0	0	5	5	239
Kagawa	189	0	30	219	0	0	8	8	227
Ehime	316	0	78	394	0	0	5	5	399
Kochi	229	0	91	320	0	0	3	3	323
Fukuoka	715	0	94	809	0	0	3	3	812
Saga	166	0	41	207	0	0	0	0	207
Nagasaki	311	0	138	449	0	0	0	0	449
Kumamoto	391	0	177	568	0	0	1	1	569
Oita	308	0	93	401	0	0	1	1	402
Miyazaki	196	0	113	309	0	0	1	1	310
Kagoshima	436	2	282	720	0	0	1	1	721
Okinawa	180	2	20	202	0	0	0	0	202
Nationwide total	20,060	36 (Note 1)	4,041	24,137	137 (Note 3)	0	255 (Note 2) (Note 3)	392	24,529

* The respective number of post offices include those that are not commissioned to carry out bank agency and insurance operations and excludes mobile post offices.

* Contracted post offices operate under consignment contracts.

Note 1: Of these 36 post offices, two post office branches were provisionally established as an emergency measure for contracted post offices temporarily closed due to reasons related to the contractees.

Note 2: Services in areas where contracted post offices have been closed are as follows.

Number of instances where services are provided by personnel dispatched to the location	Number of instances where services are provided by 2 mobile post offices
65	0

Mobile post offices provided services at five locations. After the Great East Japan Earthquake, these services have been temporarily suspended because the mobile post offices have been dispatched to the disaster regions.

Note 3: Post offices out of service are as follows.

	Closed due to the Great East Japan Earthquake	Closed for reasons other than the Great East Japan Earthquake	Total
Directly managed post offices	129	8	137
Contracted post offices	61	194	255

9 Outline of Subsidiary

(As of March 31, 2011)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Network ownership	Ownership of voting shares
Post Office Business Support Co., Ltd.	Koto-ku, Tokyo	¥100	Merchandise business, contacting business for merchandise operations	September 11, 2007	100.0%	100.0%

* Established Japan Post Building Management Co., Ltd. on April 1, 2011

4. Outline of Japan Post Service Co., Ltd.

1 Company Outline

Company name (in Japanese):	Yubin Jigyo Kabushiki Kaisha
Company name:	JAPAN POST SERVICE Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥100 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Service Act (Law No. 99 of October 21, 2005)
Lines of business:	Postal service business, domestic distribution and delivery business, international cargo transport and agency services for air cargo business, logistics business, etc.

2 Management Philosophy

Management Philosophy

While maintaining universal services for postal businesses, Japan Post Service will create a "network that conscientiously connects people, businesses, and society" by providing services that enable the public to enjoy secure, safe, certain and speedy communications and the benefit of logistics functions.

1. We will continue to provide universal postal service through more efficient business operations.
2. We will expand and upgrade logistics services in Japan and overseas by making extensive use of our resources with the aim of meeting customers' diversifying needs.
3. We will provide services that deliver true customer satisfaction, continually improving service quality and developing new products and service offerings, based on the perspective of our customers.
4. We will maintain effective corporate internal audits and internal controls and conduct a strict compliance program. We will appropriately disclose information to ensure the transparency of our business activities.
5. We will create opportunities for customers, employees and the general public to lead vibrant and enjoyable lives.

3 Information on Shares

1. Number of Shares

Total shares issued	4,000,000
---------------------	-----------

2. Shareholder

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

4 Number of Employees

100,979* (as of March 31, 2011)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Service Co., Ltd. Excludes temporary employees.

5 List of Directors, Auditors and Executive Officers

(As of July 1, 2011)

1. Directors

President and CEO.....	Shinichi Nabekura
Executive Vice President.....	Yoshiro Nakajo (Concurrently holds the position of Senior Managing Executive Officer at Japan Post Holdings Co., Ltd.)
Executive Vice President.....	Toshiro Ito
Director (Outside).....	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside).....	Masafumi Yokota (Concurrently holds the position of partner with Corporate Direction Co., Ltd.)

2. Auditors

Katsuyuki Okada
Takao Ito
Yoshio Haibara

3. Executive Officers

First Executive Officer	Hisamitsu Gannyo	Executive Officer	Kazuaki Daikaku
First Executive Officer	Kiyoteru Suzuki	Executive Officer	Shuji Obu
Senior Executive Officer	Takao Miwa	Executive Officer	Keiichi Yano
Senior Executive Officer	Seiji Katsuno	Executive Officer	Chikashi Isayama
Senior Executive Officer	Yuji Uenuma	Executive Officer	Toru Inasawa
Senior Executive Officer	Seiki Fukuda	Executive Officer	Hidetoshi Kuriyama
Executive Officer	Naoki Nakashima	Executive Officer	Toshiyuki Hama
Executive Officer	Hideyuki Hokazono	Executive Officer	Osamu Hitani
Executive Officer	Junichiro Miyazaki	Executive Officer	Yoshihiro Chiba

7

Names and Locations of Regional Offices

(As of July 1, 2011)

Name of regional office	Location
Hokkaido	4-3, Kita 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	14-2, Takashima 2-chome, Nishi-ku, Yokohama, Kanagawa 220-8998
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797
Tokai	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797

8

Number of Offices by Prefecture

(As of March 31, 2011)

Prefecture	Number of offices	Prefecture	Number of offices
Hokkaido	60	Shiga	13
Aomori	10	Kyoto	28
Iwate	15	Osaka	69
Miyagi	18	Hyogo	46
Akita	11	Nara	16
Yamagata	11	Wakayama	13
Fukushima	21	Tottori	4
Ibaraki	31	Shimane	7
Tochigi	18	Okayama	20
Gunma	16	Hiroshima	28
Saitama	52	Yamaguchi	19
Chiba	48	Tokushima	8
Kanagawa	55	Kagawa	10
Yamanashi	12	Ehime	16
Tokyo	88	Kochi	9
Niigata	27	Fukuoka	45
Nagano	24	Saga	8
Toyama	12	Nagasaki	12
Ishikawa	12	Kumamoto	16
Fukui	10	Oita	11
Gifu	19	Miyazaki	6
Shizuoka	32	Kagoshima	11
Aichi	63	Okinawa	14
Mie	16	Nationwide total	1,110

9

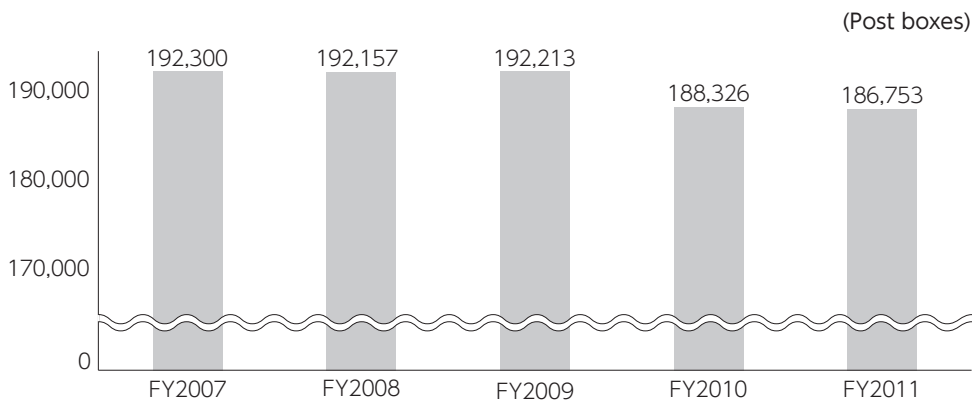
Principal Subsidiaries

(As of March 31, 2011)

Affiliation	Company name	Location	Paid-in capital (millions)	Line of business	Date of establishment	Japan Post Service ownership	Ownership of voting shares
Consolidated Subsidiaries	JP Logi Service Co., Ltd.	Chuo-ku, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6%	67.6%
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	51.0%	58.5%
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Product development of direct media	February 29, 2008	51.0%	51.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0%	100.0%
	JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0%	60.0%

10

Number of Post Boxes



11

Outsourcing

Japan Post Service outsources some of its business activities as prescribed by law.

■ Outsourcing of Transport of Postal Materials or others

The following table shows the status for the outsourcing of the collection, transport and delivery operations to transport companies and other parties as prescribed in the Law for Outsourcing Postal Material Transport (1949 Law No. 284).

(Millions of yen)

Category	FY2009	FY2010	FY2011
Collection, delivery and transport outsourcing expenses	146,024	148,192	206,604

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

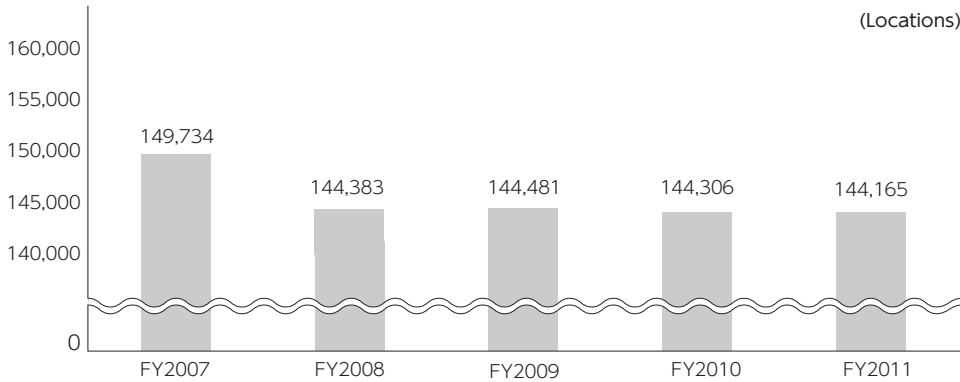
The following table shows the status of outsourcing of the sale of postage stamps, etc., as prescribed in the Law Concerning Locations for the Sale of Postage Stamps (1949 Law No. 91).

(Millions of yen)

Category	FY2009	FY2010	FY2011
Fees paid to locations selling postage stamps	23,571	22,067	20,317

12

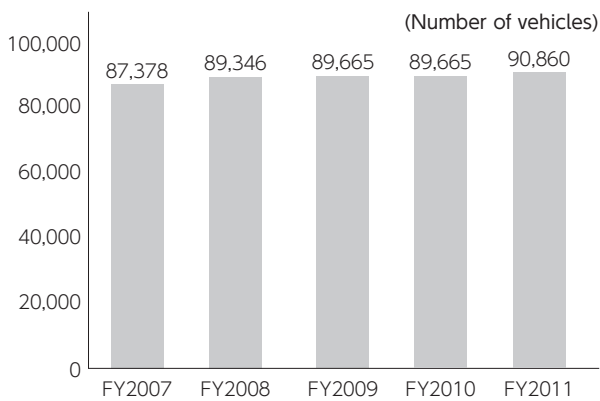
Number of Locations Selling Postage Stamps and Revenue Stamps



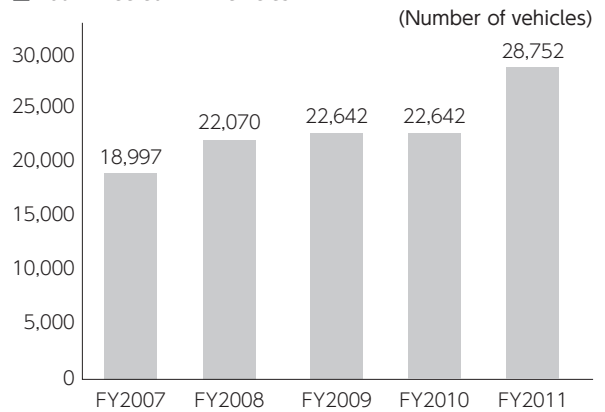
13

Number of Vehicles Owned

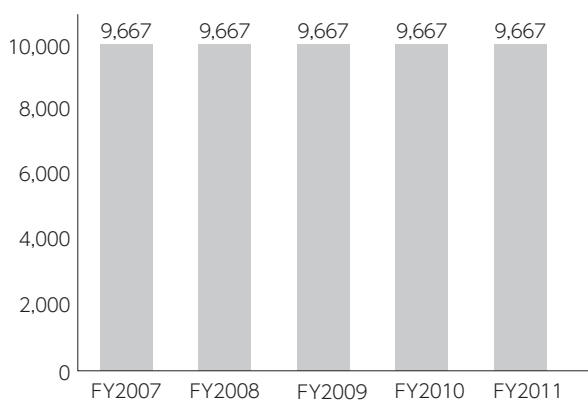
■ Two-wheeled vehicles (including small motor vehicles)



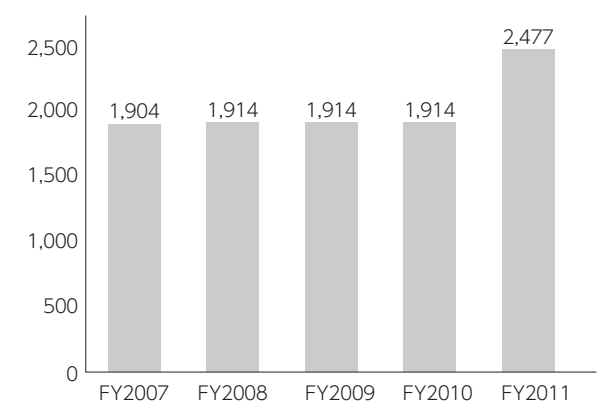
■ Four-wheeled mini vehicles



■ Bicycles (excluding peak periods)



■ Small cargo vehicles



5. Outline of Japan Post Bank Co., Ltd.

1 Company Outline

Company name (in Japanese):	Kabushiki Kaisha Yucho Ginko
Company name:	JAPAN POST BANK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	September 1, 2006 (On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)
Line of business:	Banking
Financial institution code number:	9900

2 Management Philosophy

Management Philosophy

Japan Post Bank is dedicated to serving as "the most convenient and dependable bank in Japan," with operations that are guided by the needs and wishes of our customers.

Dependability: We will comply with laws regulations and other standards of behavior in order to earn the trust of markets, shareholders and employees and consistently serve as a responsible corporate citizen.

Innovation: We will constantly use innovative ideas to improve our management and business activities in response to input from customers and changes in market conditions.

Efficiency: We will pursue improvements in speed and efficiency in order to be a source of products and services that match our customers' requirements.

Expertise: We will work continually on upgrading expertise in specialized fields with the aim of meeting the high expectations of our customers.

3 Information on Shares

1. Number of Shares

Total shares issued	150,000,000
---------------------	-------------

2. Shareholder

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

4 Number of Employees

12,351* (as of March 31, 2011)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Bank Co., Ltd. Excludes contract and temporary employees.

(As of July 1, 2011)

1. Board Members

Director, Chairman	Shigeo Kawa
Director, President & CEO	Yoshiyuki Izawa (Concurrently holds the position of Representative Executive Officer and Deputy President of Japan Post Holdings Co., Ltd.)
Director (Outside)	Fumio Masada (Formerly held the position of Executive Vice President of Nippon Life Insurance Company)
Director (Outside)	Atsushi Kinebuchi (Formerly held the position of Executive Vice President of Nomura Asset Management Co., Ltd.)
Director (Outside)	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside)	Tomoyoshi Arita (Concurrently holds the position of Attorney-at-Law)

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Board Members)

Executive Vice President	Tomohiro Yonezawa	Executive Officer	Takashi Usuki
Executive Vice President	Tomohisa Mase	Executive Officer	Yoko Makino
Senior Managing Executive Officer	Shuichi Ikeda	Executive Officer	Kunihiko Amaha
Managing Executive Officer	Riki Mukai	Executive Officer	Osami Niihori
Managing Executive Officer	Hiroshi Yamada	Executive Officer	Naoto Misawa
Managing Executive Officer	Satoshi Hoshino (Concurrently holds the position of Managing Executive Officer of Japan Post Network Co., Ltd.)	Executive Officer	Masato Wakai
Managing Executive Officer	Susumu Tanaka (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Executive Officer	Masaya Aida
Managing Executive Officer	Masahiro Murashima	Executive Officer	Katsumi Amano
Managing Executive Officer	Hiroichi Shishimi	Executive Officer	Yoichi Uno
Managing Executive Officer	Kikuo Kushibiki (Concurrently holds the position of Managing Executive Officer of Japan Post Network Co., Ltd.)	Executive Officer	Chiharu Komachi

3. Nomination Committee

Chairman	Jiro Saito
Member	Shigeo Kawa
Member	Yoshiyuki Izawa
Member	Fumio Masada
Member	Atsushi Kinebuchi

4. Audit Committee

Chairman	Tomoyoshi Arita
Member	Fumio Masada
Member	Atsushi Kinebuchi

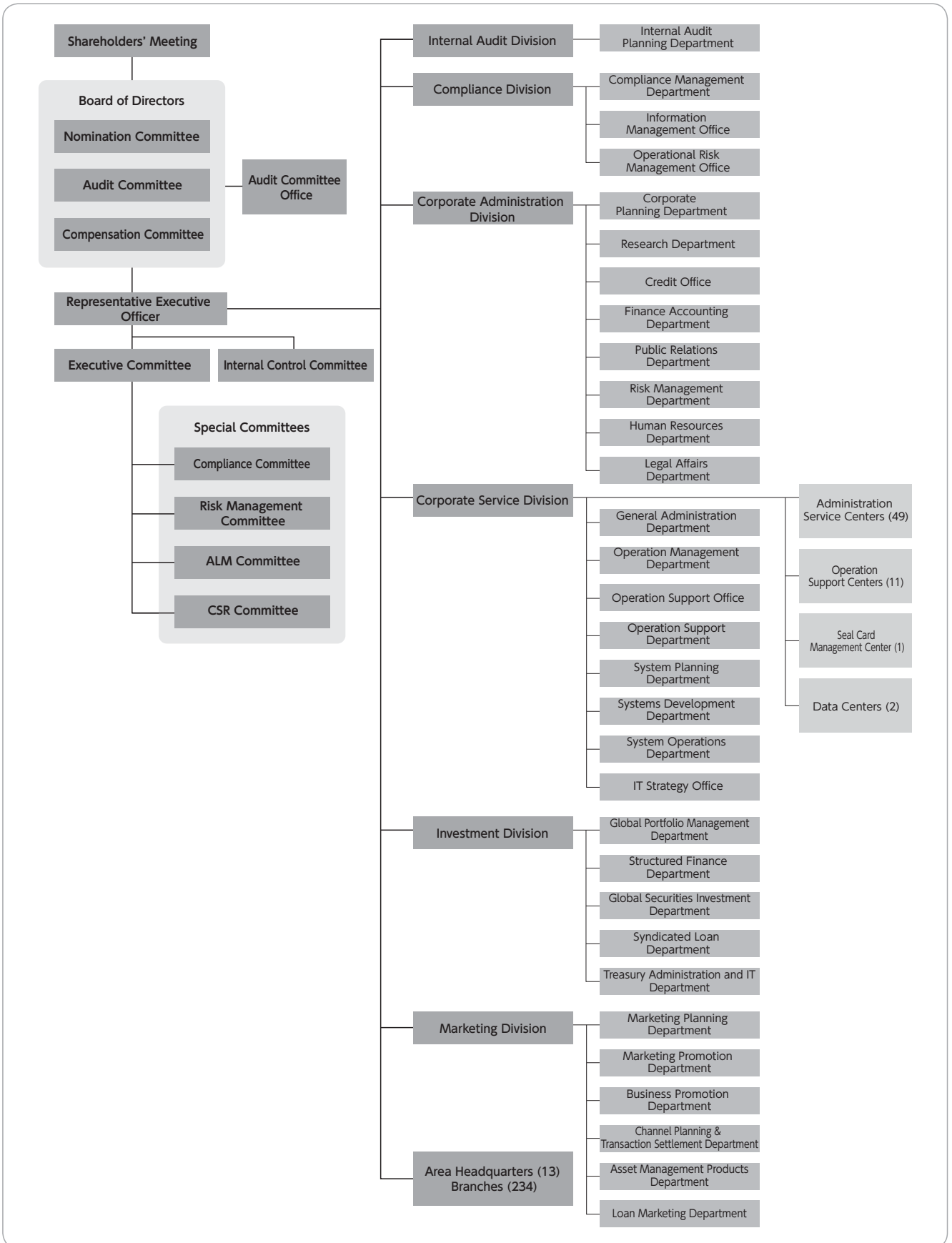
5. Compensation Committee

Chairman	Jiro Saito
Member	Shigeo Kawa
Member	Yoshiyuki Izawa
Member	Fumio Masada
Member	Atsushi Kinebuchi

6

Organization Chart

(As of July 1, 2011)



7

Principal Business Locations

Head Office and 234 Branches

(As of March 31, 2011)

Name of branch	Location	Telephone number
Sapporo Branch	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002	011-214-4300
Sendai Branch	3-3, Ichibancho 1-chome, Aoba-ku, Sendai, Miyagi 980-8711	022-267-8275
Saitama Branch	1-12, Bessho 7-chome, Minami-ku, Saitama, Saitama 336-8799	048-864-7317
Central Branch	Yusen Building 1F, 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8996	03-3284-9618
Nagano Branch	1085-4, Minami Agata-machi, Nagano, Nagano 380-8799	026-226-2550
Kanazawa Branch	1-1, Sanja-machi, Kanazawa, Ishikawa 920-8799	076-224-3844
Nagoya Branch	1-10, Otsu 3-chome, Naka-ku, Nagoya, Aichi 460-8799	052-261-6728
Osaka Branch	Osaka Ekimae 1st Building 2F, 3-1, Umeda 1-chome, Kita-ku, Osaka, Osaka 530-0001	06-6347-8112
Hiroshima Branch	6-36, Moto-machi, Naka-ku, Hiroshima, Hiroshima 730-0011	082-222-1315
Matsuyama Branch	5-2, Sanban-cho 3-chome, Matsuyama, Ehime 790-8799	089-941-0820
Kumamoto Branch	1-1, Joto-machi, Kumamoto, Kumamoto 860-0846	096-328-5163
Naha Branch	1-1, Kumoji 1-chome, Naha, Okinawa 900-0015	098-867-8802

8

Japan Post Bank Offices by Prefecture

(As of March 31, 2011) (Branches/Post offices)

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Hokkaido	1	4	1,210	277	1,492
Aomori	0	2	265	93	360
Iwate	0	1	307	118	426
Miyagi	1	1	361	87	450
Akita	0	1	273	128	402
Yamagata	0	1	288	107	396
Fukushima	0	3	430	110	543
Ibaraki	0	3	462	54	519
Tochigi	0	2	309	43	354
Gunma	0	3	299	38	340
Saitama	1	16	606	18	641
Chiba	0	13	678	33	724
Kanagawa	0	31	722	13	766
Yamanashi	0	1	200	55	256
Tokyo	1	40	1,459	7	1,507
Niigata	0	3	534	135	672
Nagano	1	2	441	193	637
Toyama	0	2	210	77	289
Ishikawa	1	0	253	69	323
Fukui	0	1	209	31	241
Gifu	0	2	354	82	438
Shizuoka	0	5	478	78	561
Aichi	1	13	826	75	915
Mie	0	2	370	82	454
Shiga	0	1	228	30	259
Kyoto	0	4	439	34	477
Osaka	1	23	1,067	31	1,122
Hyogo	0	12	830	119	961
Nara	0	2	239	82	323
Wakayama	0	1	262	54	317
Tottori	0	1	146	95	242
Shimane	0	1	256	118	375

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Okayama	0	2	420	104	526
Hiroshima	1	3	580	117	701
Yamaguchi	0	3	353	60	416
Tokushima	0	1	202	30	233
Kagawa	0	2	187	29	218
Ehime	1	1	314	77	393
Kochi	0	1	228	89	318
Fukuoka	0	4	711	93	808
Saga	0	1	165	39	205
Nagasaki	0	2	309	138	449
Kumamoto	1	1	389	176	567
Oita	0	2	306	93	401
Miyazaki	0	1	195	113	309
Kagoshima	0	1	437	282	720
Okinawa	1	0	181	20	202
Total	12	222	19,988	4,026	24,248

Note 1: The number of post offices refers to the number of sales offices and branches handling bank agency operations (including branches).

2: The number of contracted post offices refers to the number of sales offices or branches commissioned to handle bank agency operations by Japan Post Service Co., Ltd. on behalf of Japan Post Bank Co., Ltd.

3: The number of mobile post offices in Aichi and Tokushima Prefectures is not included in the above totals.

9 Number of ATMs by Prefecture

(As of March 31, 2011)

Prefecture	Number of ATMs
Hokkaido	1,683
Aomori	315
Iwate	341
Miyagi	502
Akita	312
Yamagata	320
Fukushima	499
Ibaraki	561
Tochigi	369
Gunma	354
Saitama	902
Chiba	942
Kanagawa	1,145
Yamanashi	218
Tokyo	2,534
Niigata	645

Prefecture	Number of ATMs
Nagano	532
Toyama	251
Ishikawa	322
Fukui	242
Gifu	413
Shizuoka	580
Aichi	1,139
Mie	426
Shiga	287
Kyoto	572
Osaka	1,548
Hyogo	1,108
Nara	293
Wakayama	299
Tottori	165
Shimane	289

Prefecture	Number of ATMs
Okayama	507
Hiroshima	775
Yamaguchi	433
Tokushima	233
Kagawa	245
Ehime	405
Kochi	274
Fukuoka	988
Saga	211
Nagasaki	371
Kumamoto	467
Oita	344
Miyazaki	229
Kagoshima	489
Okinawa	252
Total	26,331

*Number of ATMs of mobile post offices in Aichi and Tokushima Prefectures not included.

10 Outline of Affiliated Company

(As of March 31, 2011)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Bank ownership	Ownership of voting shares
SDP Center Co., Ltd.	Chuo-ku, Tokyo	2,000	Bank agency operations	May 28, 1980	45.0%	45.0%

6. Outline of Japan Post Insurance Co., Ltd.

1 Company Outline

Company name (in Japanese) :	Kabushiki Kaisha Kanpo Seimei Hoken
Company name:	JAPAN POST INSURANCE Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥500 billion
Date of establishment:	September 1, 2006 (The name of the company was changed from Kanpo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)
Line of business:	Life insurance

2 Management Philosophy

Management Philosophy

Moving forward with our customers while serving as "Japan's most familiar and trusted insurance company"

To translate this philosophy into specific activities, Japan Post Insurance makes the following promises to stakeholders.

Our promise to customers

We value every contact with customers. We will offer products and services that are easy to understand and use. We will supply accurate information so that customers can use these products and services with confidence.

Our promise to shareholders

We will aim to continuously enhance corporate value to fulfill our obligation to shareholders. We will use sound management systems backed by a suitable risk management framework. We will maintain strong lines of communication with shareholders and other investors.

Our promise to society

We will make compliance one of the most important elements of our business activities. We will actively contribute to public health. We will operate in a manner that is kind to people and eco-friendly.

Our promise to business partners

We will build mutually beneficial relationships based on close cooperation and extensive support. We will supply services and improve the quality of those services by working closely with our business partners. We will increase the value of our brand as a member of the Japan Post Group.

Our promise to employees

We will provide employees with a pleasant and rewarding workplace. We will respect each employee and provide equal opportunities to everyone. We will provide many forms of assistance for employees to upgrade their skills.

3 Information on Shares

1. Number of Shares

Total shares issued	20,000,000
---------------------	------------

2. Shareholder

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

4

Number of Employees

6,815* (as of March 31, 2011)

* Number of employees excludes employees seconded to other companies and includes employees seconded to Japan Post Insurance Co., Ltd.
Excludes contract and temporary employees.

5

List of Directors, Executive Officers and Management Committees

1. Directors

(As of July 1, 2011)

Director and Chairman, CEO.....	Josuke Shindo
Director and President, COO	Izumi Yamashita
Director (Outside)	Masaharu Hino (Concurrently holds the position of Attorney-at-Law)
Director (Outside)	Hiroshi Koshida (Concurrently holds the position of Adviser to Daiwa Asset Management Co., Ltd.)
Director (Outside)	Toshiaki Katsushima (Concurrently holds the position of Certified Public Accountant)
Director (Outside)	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)

2. Executive Officers (Excludes persons holding concurrent posts in addition to the above. 1. Directors)

Deputy President	Kazuo Miyazaki	Executive Officer	Masanori Sato
Senior Managing Executive Officer ...	Masaro Sugimoto	Executive Officer	Kiyotaka Fujimoto
Senior Managing Executive Officer ...	Toshihisa Minakata (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Executive Officer	Masahiko Sugimori
Managing Executive Officer	Yukiharu Aoki	Executive Officer	Yoshito Horie
Managing Executive Officer	Shoji Awakura	Executive Officer	Tomoaki Nara
Managing Executive Officer	Masaaki Kamohara	Executive Officer	Kazuhiro Ikegawa
Managing Executive Officer	Yoshifumi Ikeda	Executive Officer	Yoshihiko Ido
Managing Executive Officer	Matatoki Hosonuma	Executive Officer	Tetsuya Senda
Managing Executive Officer	Masaaki Horigane		
Managing Executive Officer	Kazuhide Kinugawa		

3. Nomination Committee

Chairman	Jiro Saito
Member.....	Josuke Shindo
Member.....	Izumi Yamashita
Member.....	Masaharu Hino
Member.....	Hiroshi Koshida

4. Audit Committee

Chairman	Masaharu Hino
Member.....	Hiroshi Koshida
Member.....	Toshiaki Katsushima

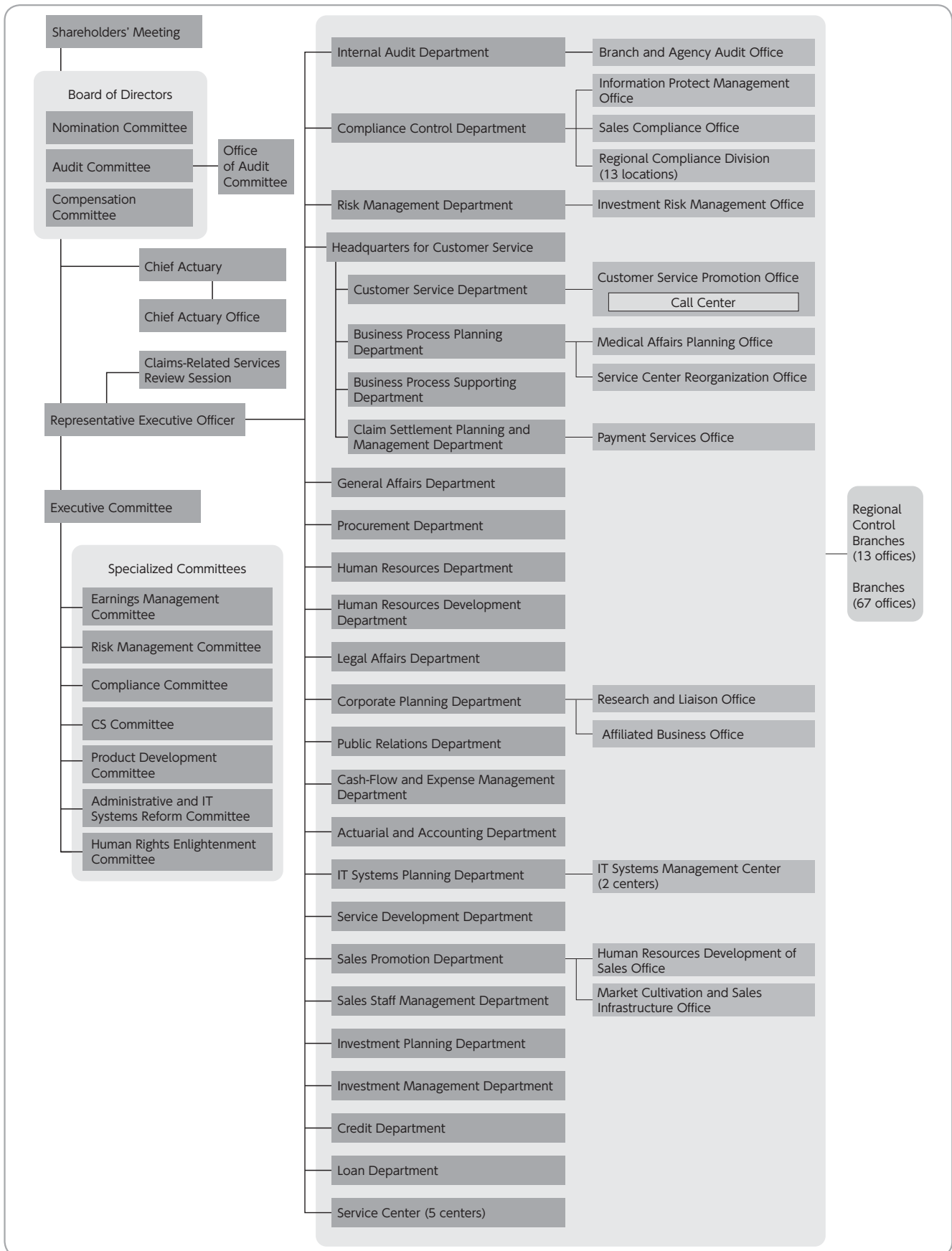
5. Compensation Committee

Chairman	Jiro Saito
Member.....	Josuke Shindo
Member.....	Izumi Yamashita
Member.....	Hiroshi Koshida
Member.....	Toshiaki Katsushima

6

Organization Chart

(As of July 1, 2011)



Corporate Data

Financial Data

Others

7

Principal Branches (Regional Control Offices)

(As of July 1, 2011)

Name of branch	Location	Telephone number
Sapporo	2-1, Odori Higashi, Chuo-ku, Sapporo, Hokkaido 060-0041	011-221-6375
Sendai	1-1-34, Ichibancho, Aoba-ku, Sendai, Miyagi 980-8797	022-267-7849
Saitama	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797	048-600-2066
Yokohama	5-3, Nihon Odori, Naka-ku, Yokohama, Kanagawa 231-8799	045-212-3928
Azabu	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8799	03-3583-9928
Nagano	801, Kurita, Nagano, Nagano 380-8797	026-231-2342
Kanazawa	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797	076-220-3171
Nagoya	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797	052-963-6351
Osaka	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797	06-6944-5765
Hiroshima	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797	082-224-5165
Matsuyama	8-5, Miyata-machi, Matsuyama, Ehime 790-8797	089-936-5612
Kumamoto	1-1, Joto-machi, Kumamoto, Kumamoto 860-8797	096-328-5343
Naha	3-3-8, Tsubogawa, Naha, Okinawa 900-8799	098-833-5516

Note: In addition to the above, there are 67 other branches.

Data Compilation

Financial Data

CONTENTS

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)	130	Japan Post Service Co., Ltd. (Non-consolidated)...	131
Japan Post Holdings Co., Ltd. (Non-consolidated)	130	Japan Post Bank Co., Ltd. (Non-consolidated)	131
Japan Post Network Co., Ltd. (Non-consolidated)	130	Japan Post Insurance Co., Ltd. (Non-consolidated)	131

2. Japan Post Group Companies—Consolidated Financial Data

1. Consolidated Balance Sheets	132	4. Consolidated Statements of Cash Flows	135
2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	133	5. Basis of Presentation of Consolidated Financial Statements	136
3. Consolidated Statements of Changes in Net Assets	134	6. Notes to Consolidated Financial Statements ...	138
		7. Capital Adequacy	142

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

1. Balance Sheets	151	4. Significant Accounting Policies	154
2. Statements of Income.....	152	5. Notes to Financial Statements	155
3. Statements of Changes in Net Assets	153		

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

1. Balance Sheets	156	4. Significant Accounting Policies	159
2. Statements of Income.....	157	5. Notes to Financial Statements	159
3. Statements of Changes in Net Assets	158	6. Reference	160

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

1. Balance Sheets	161	4. Significant Accounting Policies	164
2. Statements of Income.....	162	5. Notes to Financial Statements	164
3. Statements of Changes in Net Assets	163	6. Reference	165

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

1. Balance Sheets	166	4. Statements of Cash Flows	169
2. Statements of Income.....	167	5. Notes to Financial Statements	170
3. Statements of Changes in Net Assets	168		

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

1. Balance Sheets	184	4. Statements of Cash Flows	187
2. Statements of Income.....	185	5. Notes to Financial Statements	188
3. Statements of Changes in Net Assets	186		

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

About the Figures for Fiscal 2008

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

2. Japan Post Group Companies —Consolidated Financial Data

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

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

1 Consolidated Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)	Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets			Liabilities		
Cash and due from banks	¥ 8,012,842	¥ 8,337,805	Deposits	¥ 174,787,787	¥ 173,589,158
Call loans	615,538	1,025,352	Policy reserves	97,226,858	92,817,891
Receivables under securities borrowing transactions	3,295,301	5,750,045	Reserve for outstanding claims	1,131,793	1,020,922
Monetary claims bought	132,141	173,912	Policy reserve	93,417,099	89,164,763
Trading account securities	196	282	Reserve for policyholders' dividends	2,677,965	2,632,205
Money held in trust	1,190,393	2,032,133	Payables under securities lending transactions	7,265,185	9,561,472
Securities	258,834,902	252,377,011	Borrowed money	2,001,240	879
Loans	20,283,133	18,786,271	Foreign exchanges	116	178
Foreign exchanges	5,860	4,735	Other liabilities	3,368,642	2,672,494
Deposits to the Fiscal Loan Fund	2,000,000	—	Reserve for employees' bonuses	124,092	89,362
Other assets	965,960	999,885	Reserve for employees' retirement benefits	3,581,310	3,490,999
Tangible fixed assets	2,812,014	2,765,694	Reserve for directors' retirement benefits	581	598
Buildings	1,132,531	1,072,587	Reserve under the special laws	421,408	409,674
Land	1,464,149	1,453,785	Reserve for price fluctuations in security investments	421,408	409,674
Construction in progress	13,491	54,643	Deferred tax liabilities	167,638	190,351
Other tangible fixed assets	201,842	184,677	Acceptances and guarantees	—	110,000
Intangible fixed assets	219,478	237,005	Negative goodwill	497	—
Software	201,993	220,337	Total Liabilities	¥ 288,945,358	¥ 282,933,060
Goodwill	17	13	Net Assets		
Other intangible fixed assets	17,467	16,654	Capital stock	¥ 3,500,000	¥ 3,500,000
Deferred tax assets	193,631	310,830	Capital surplus	4,503,856	4,503,856
Customers' liabilities for acceptances and guarantees	—	110,000	Retained earnings	1,159,491	1,526,711
Allowance for doubtful accounts	(5,580)	(8,553)	Total shareholders' equity	9,163,347	9,530,568
Contribution to society and community funds assets	15,504	30,598	Contribution to society and community funds	29,701	45,063
			Valuation and translation adjustments of contribution to society and community funds	132	337
			Net unrealized gains (losses) on available-for-sale securities	423,606	412,489
			Deferred gains (losses) on derivatives under hedge accounting	8,069	10,269
			Total accumulated other comprehensive income	431,676	422,759
			Minority interests	1,104	1,224
Total Assets	¥ 298,571,321	¥ 292,933,013	Total Net Assets	¥ 9,625,962	¥ 9,999,952
			Total Liabilities and Net Assets	¥ 298,571,321	¥ 292,933,013

1. Consolidated Statements of Income

(Millions of yen)

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

2. Consolidated Statements of Comprehensive Income

(Millions of yen)

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

3

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)		2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Shareholders' equity			Accumulated other comprehensive income		
Capital stock			Net unrealized gains (losses) on available-for-sale securities		
Balance at the end of the previous fiscal year	¥ 3,500,000	¥ 3,500,000	Balance at the end of the previous fiscal year	¥ (11,954)	¥ 423,606
Balance at the end of the current fiscal year	¥ 3,500,000	¥ 3,500,000	Changes during the period		
Capital surplus			Net changes other than shareholders' equity	435,560	(11,116)
Balance at the end of the previous fiscal year	¥ 4,503,856	¥ 4,503,856	Total changes during the period	435,560	(11,116)
Balance at the end of the current fiscal year	¥ 4,503,856	¥ 4,503,856	Balance at the end of the current fiscal year	¥ 423,606	¥ 412,489
Retained earnings			Deferred gains (losses) on derivatives under hedge accounting		
Balance at the end of the previous fiscal year	¥ 751,066	¥ 1,159,491	Balance at the end of the previous fiscal year	¥ (12,974)	¥ 8,069
Changes during the period			Changes during the period		
Cash dividends	(27,256)	(36,346)	Net changes other than shareholders' equity	21,044	2,199
Net income for the period	450,220	418,929	Total changes during the period	21,044	2,199
Contribution to society and community funds	(14,538)	(15,362)	Balance at the end of the current fiscal year	¥ 8,069	¥ 10,269
Total changes during the period	408,425	367,220	Total accumulated other comprehensive income		
Balance at the end of the current fiscal year	¥ 1,159,491	¥ 1,526,711	Balance at the end of the previous fiscal year	¥ (24,928)	¥ 431,676
Total shareholders' equity			Changes during the period		
Balance at the end of the previous fiscal year	¥ 8,754,922	¥ 9,163,347	Net changes other than shareholders' equity	456,605	(8,917)
Changes during the period			Total changes during the period	456,605	(8,917)
Cash dividends	(27,256)	(36,346)	Balance at the end of the current fiscal year	¥ 431,676	¥ 422,759
Net income for the period	450,220	418,929	Minority interests		
Contribution to society and community funds	(14,538)	(15,362)	Balance at the end of the previous fiscal year	¥ 959	¥ 1,104
Total changes during the period	408,425	367,220	Changes during the period		
Balance at the end of the current fiscal year	¥ 9,163,347	¥ 9,530,568	Net changes other than shareholders' equity	144	119
Contribution to society and community funds			Total changes during the period	144	119
Balance at the end of the previous fiscal year	¥ 15,162	¥ 29,701	Balance at the end of the current fiscal year	¥ 1,104	¥ 1,224
Changes during the period			Total net assets		
Net changes other than shareholders' equity	14,538	15,362	Balance at the end of the previous fiscal year	¥ 8,746,172	¥ 9,625,962
Total changes during the period	14,538	15,362	Changes during the period		
Balance at the end of the current fiscal year	¥ 29,701	¥ 45,063	Cash dividends	(27,256)	(36,346)
Valuation and translation adjustments of contribution to society and community funds			Net income for the period	450,220	418,929
Balance at the end of the previous fiscal year	¥ 56	¥ 132	Contribution to society and community funds	(14,538)	(15,362)
Changes during the period			Net changes other than shareholders' equity	471,365	6,769
Net changes other than shareholders' equity	76	204	Total changes during the period	879,790	373,989
Total changes during the period	76	204	Balance at the end of the current fiscal year	¥ 9,625,962	¥ 9,999,952
Balance at the end of the current fiscal year	¥ 132	¥ 337			

4

Consolidated Statements of Cash Flows

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)		2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before income taxes and minority interests	¥ 728,098	¥ 634,798	Payments for purchase of call loans	(30,031,989)	(31,157,189)
Depreciation	219,298	204,734	Proceeds from redemption of call loans	30,138,358	30,915,389
Impairment losses	6,343	4,871	Payments for purchase of monetary claims bought	(3,500)	(62,296)
Increase (decrease) in reserve for outstanding claims	(33,801)	(110,871)	Proceeds from sales and redemption of monetary claims bought	—	29,997
Increase (decrease) in policy reserve	(5,384,121)	(4,252,336)	Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	(57,869)	(18,527)
Interest on reserve for policyholders' dividends	21,483	17,765	Payments for purchase of securities	(82,058,520)	(59,154,254)
Provision for reserve for policyholders' dividends	294,394	311,922	Proceeds from sales of securities	12,029,991	10,842,288
Amortization of goodwill including impairment	25	4	Proceeds from redemption of securities	68,731,420	53,933,186
Amortization of negative goodwill	(1,645)	—	Payments for increase in money held in trust	(60,902)	(1,248,239)
Equity in (earnings) losses of affiliates	(17)	(31)	Proceeds from decrease in money held in trust	816,726	462,235
Increase (decrease) in allowance for doubtful accounts	1,098	2,973	Payments for loans	(2,668,856)	(2,351,320)
Increase (decrease) in reserve for employees' bonuses	549	(34,720)	Proceeds from collection of loans	4,750,081	4,064,348
Increase (decrease) in reserve for employees' retirement benefits	(82,336)	(90,310)	Payments for purchase of tangible fixed assets	(57,894)	(123,634)
Increase (decrease) in reserve for directors' retirement benefits	145	16	Proceeds from sales of tangible fixed assets	903	7,373
Increase (decrease) in reserve for price fluctuations in security investments	(25,173)	(11,734)	Payments for purchase of intangible fixed assets	(104,781)	(81,026)
Interest and dividend income—accrual basis	(1,617,928)	(1,581,320)	Payments for share acquisition from minority shareholders	(4,570)	(51)
Interest expenses—accrual basis	3,121	2,092	Proceeds from purchase of shares accompanied by change of scope of consolidation	5,844	—
Interests and dividend income	(2,066,085)	(2,044,121)	Others	166,930	(94,899)
Interest expenses	447,718	360,685	Net cash provided by investing activities	1,591,371	5,963,381
Losses (gains) related to securities	4,965	30,548	Cash flows from financing activities:		
Losses (gains) on money held in trust	(41,177)	(29,464)	Proceeds from borrowings	2,045	2,818
Losses (gains) on foreign exchanges	(309)	265	Repayments of borrowings	(23,314)	(3,178)
Losses (gains) on sales and disposal of fixed assets	4,377	7,782	Dividends paid	(27,256)	(36,346)
Loss on natural disaster	—	5,642	Proceeds from stock issuance to minority shareholders	121	49
Net (increase) decrease in loans and bills discounted	8,521	(217,672)	Others	(1,360)	(2,152)
Net increase (decrease) in deposits	(1,628,960)	(1,198,628)	Net cash used in financing activities	(49,765)	(38,810)
Proceeds from redemption of deposits to the fiscal loan fund	6,700,000	2,000,000	Foreign currency translation adjustments on cash and cash equivalents	462	555
Net increase (decrease) in borrowed money	(6,700,000)	(2,000,000)	Net increase (decrease) in cash and cash equivalents	759,480	280,062
Net (increase) decrease in negotiable certificates of deposit	2,220,000	35,000	Cash and cash equivalents at beginning of year	6,398,062	7,157,542
Net (increase) decrease in call loans	(267,331)	(176,976)	Cash and cash equivalents at end of year	¥ 7,157,542	¥ 7,437,605
Net (increase) decrease in receivables under securities borrowing transactions	(1,769,836)	(1,987,773)			
Net increase (decrease) in payables under securities lending transactions	5,431,246	1,847,843			
Net (increase) decrease in foreign exchange assets	4,011	1,125			
Net increase (decrease) in foreign exchange liabilities	14	61			
Interests and dividends received	2,227,579	2,232,745			
Interest paid	(384,429)	(431,068)			
Others	(234,459)	(156,394)			
Subtotal	(1,914,619)	(6,622,545)			
Interests and dividend income—cash basis	1,778,815	1,698,052			
Interest expenses—cash basis	(3,137)	(2,109)			
Dividends to policyholders paid	(397,653)	(374,860)			
Income taxes paid	(245,992)	(343,602)			
Net cash used in operating activities	(782,587)	(5,645,065)			

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

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries: 12

Principal companies:

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

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

(2) Non-consolidated subsidiaries: 5

Principal companies:

- Tokyo Beiyu Co., Ltd.
- Nittei Butsuryu Gijutsu Co., Ltd.

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

2. Matters concerning application of the equity method

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

None

(2) Equity-method affiliates: 1

SDP Center Co., Ltd.

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

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

Principal companies:

- Tokyo Beiyu Co., Ltd.
- Nittei Butsuryu Gijutsu Co., Ltd.

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

(4) Affiliates not accounted for by the equity method

None

3. Matters concerning the balance sheet dates of consolidated subsidiaries

Fiscal year-end for consolidated subsidiaries

End of March: 12

4. Summary of significant accounting policies

(1) Valuation criteria and methods for trading securities

Trading securities are stated at market value.

(2) Valuation criteria and methods for securities

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

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

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

ortized cost using the declining-balance method.

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

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

(3) Valuation criteria and methods for derivative transactions

Derivative transactions are valued by the market value method.

(4) Depreciation methods of fixed assets

1) Tangible fixed assets (excluding leased assets)

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

Useful lives of principal assets are as follows:

Buildings: 2-65 years

Other: 2-75 years

2) Intangible fixed assets (excluding leased assets)

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

3) Leased assets

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

(5) Recognition of allowance for doubtful accounts

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

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

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

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

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

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

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

(6) Reserve for employees' bonuses

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

(7) Reserve for employees' retirement benefits

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

Prior service cost

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

Actuarial difference

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

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

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

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

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

- (8) Reserve for directors' retirement benefits

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

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

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

- (10) Accounting for hedges

- 1) Hedge accounting for interest rate risks

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

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

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

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

- 2) Hedge accounting for foreign exchange risks

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

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

- (11) Amortization method of goodwill and amortization period

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

- (12) Reserve for price fluctuations in security investments

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

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

Cash and cash equivalents consists of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three

months or less when purchased which can easily be converted to cash and are subject to little risk of change in value (excluding negotiable certificates of deposit held by the banking subsidiary included in "cash and due from banks").

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

- 1) Consumption taxes

All figures are net of consumption taxes.

- 2) Consolidated tax provision

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

- 3) Method of accumulating policy reserves

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

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

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

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

- 4) Method of accumulating reserve for outstanding claims

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

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

Changes in basis of presentation of consolidated financial statements

(Application of Accounting Standard for Asset Retirement Obligations)

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

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

(Application of the Accounting Standards for Business Combinations)

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

Changes in presentation method

(Concerning the Consolidated Balance Sheets)

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

(Concerning the Consolidated Statements of Income)

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

(Concerning the Consolidated Statements of Cash Flows)

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

Additional Information

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

1. Notes to Consolidated Balance Sheets

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

2. Notes to Consolidated Statements of Income

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

3. Notes to Consolidated Statements of Comprehensive Income

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

4. Notes to Consolidated Statements of Changes in Net Assets

- Type and number of shares issued

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

- Dividends

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

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

5. Notes to Consolidated Statements of Cash Flows

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

6. Financial Instruments

- Status of Financial Instruments

- Approach to Financial Instruments

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

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

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

- Features and Risks of Financial Instruments

In the Group, financial assets owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., consist mainly of securities such as domestic and overseas securities, in particular government bonds, stock investments through loans and money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate risk, and fair value fluctuation risk.

From an ALM viewpoint, we use interest rate swaps as a means of hedging future price volatility risk and interest rate risk of securities, loans and bills, time and savings deposits, and others in interest rate-related transactions. On the other hand, for currency-related transactions, we use currency swap and foreign exchange contracts as a means of hedging foreign exchange risk of values assessable at exchange rate of assets in foreign currency owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. The values of redemptions and interest are converted into yen.

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

- Risk Management Framework for Financial Instruments

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

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

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

1) Credit Risk Management

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

2) Market Risk Management

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

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

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

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

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

2. Market Values of Financial Instruments and Others

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

(Millions of yen)

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

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

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

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

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

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

Note 1: Calculation Method for Market Values of Financial Instruments

Assets

(1) Cash and due from banks

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

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

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

(4) Monetary claims bought

The price offered by the broker serves as market value.

(5) Trading account securities

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

(6) Money held in trust

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

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

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

(7) Securities

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

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

(8) Loans

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

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

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 time and savings deposits, net present value is discounted by future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.

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

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

Derivatives

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

7. Securities

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

1. Trading account securities (As of March 31, 2011)

No net unrealized gain/losses are charged to period income from trading account securities.

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

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

8. Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2011)

None

2. Money held in trust classified as held-to-maturity (As of March 31, 2011)

None

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

(Millions of yen)

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

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

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

9. Retirement Benefit Plans

1. Summary of retirement benefit scheme

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

2. Information about retirement benefit obligation

(Millions of yen)

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

3. Information about retirement benefit expenses

(Millions of yen)

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

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

4. Basis for calculation of retirement benefit obligation

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

10. Per Share Information

(yen)

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

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

11. Risk-Monitored Loans

(Millions of yen)

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

12. Subsequent Events

None

1. Qualitative Disclosure

1. Scope of consolidation

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

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

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

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

(2) Number of consolidated subsidiaries and principal subsidiaries

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

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

(3) Affiliates to which Article 21 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice is applicable
None

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

1) Companies to which Item (i) is applicable:

None

2) Companies to which Item (ii) is applicable:

Tokyo Beiyu Co., Ltd., Nittei Butsuruy Gijutsu Co., Ltd., Nagoya Yubin Yuso Co., Ltd., Kinki Kosoku Yubin Yuso Co., Ltd. and Osaka Air Mail Co., Ltd.

3) Companies to which Item (iii) is applicable:

Japan Post Insurance Co., Ltd.

(5) Companies engaged primarily in the business defined in Article 52-23-1, Subparagraph 10-(i) of the Banking Act or companies falling under Article 52-23-1, Subparagraph 11 but not belonging to the Group
None

(6) Restrictions on transfer of funds and common stock among companies in the holding company group
None

2. Summary of capital funding methods

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

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

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

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

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

4. Credit risk

(1) Summary of risk management policy and procedures

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

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

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

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

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

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

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

Reserve for possible loan losses is provided for in accordance with the

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

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

(2) Portfolios where the standardized approach is applied

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

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

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

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

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

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

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

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

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

■ Types of qualified financial collateral

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Securitization exposure

(1) Summary of risk management policy and procedures

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

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

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

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

(3) Accounting policy on securitized transactions

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

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

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

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

8. Operational risk

- (1) Summary of risk management policy and procedures

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

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

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

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

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

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

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

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

10. Interest rate risk in the banking account

- (1) Summary of risk management policy and procedures

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

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

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

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

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

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

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

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

2. Quantitative Disclosure

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

Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall among companies qualifying for deduction from capital in accordance with Article 8, Paragraph 1-2, Items (i) to (iii) and Article 20, Paragraph 1-2, Items (i) to (iii) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice
None

2. Capital structure

Consolidated capital ratio (domestic standard)

(Millions of yen)

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

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

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

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

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

3. Capital adequacy

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(3) Amount of required capital for operational risk

(Millions of yen)

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

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

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

(Millions of yen)

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

4. Credit risk

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

(Millions of yen)

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

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

Note 1: All subsidiaries other than Japan Post Bank Co., Ltd. do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.

Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).

Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 5: "Derivatives" include interest rate swaps and forward foreign exchange contracts.

Note 6: "Sovereigns" includes central governments, central banks, local governments, etc.

Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type 1 financial instruments business operators.

Note 8: "Corporations, etc." include Foreign public-sector entities other than national governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations.

Note 9: In calculating credit risk, credit risk related to exposure of certain subsidiaries which are unlikely to have any significant effect in the context of the overall exposure is included in "corporations, etc." and "others" under "others (excluding the above)."

"Others" under "others (excluding the above)" includes fixed assets in the amount of ¥2,816.9 billion at the end of March 2011 (¥2,842.9 billion at the end of March 2010).

(2) Credit risk exposure by maturity

(Millions of yen)

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

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

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 2: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 3: "Derivatives" include interest rate swaps and forward foreign exchange contracts.

Note 4: "Others" under "No due date or perpetual" includes fixed assets in the amount of ¥2,816.9 billion at the end of March 2011 (¥2,842.9 billion at the end of March 2010).

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

(Millions of yen)

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

Note 1: "Domestic" and "overseas" refer to the domicile of the main branch (head office).

Note 2: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 3: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 4: "Derivatives" include interest rate swaps and forward foreign exchange contracts.

Note 5: "Sovereigns" includes central governments, central banks, local governments, etc.

Note 6: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type 1 financial instruments business operators.

Note 7: "Corporations, etc." include Foreign public-sector entities other than national governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations.

Note 8: In calculating credit risk, credit risk related to exposures of certain subsidiaries which are unlikely to have any significant effect in the context of the overall exposure is included in "corporations, etc." and "others" under "others (excluding the above)."

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

Year-end balance	(Millions of yen)		Change during the period	(Millions of yen)	
Allowance categories	March 31, 2010	March 31, 2011	Allowance categories	2010 (Year ended March 31, 2010)	2011 (Year ended March 31, 2011)
Allowance for doubtful accounts (general reserve)	178	229	Allowance for doubtful accounts (general reserve)	66	51
Allowance for doubtful accounts (specific reserve)	—	—	Allowance for doubtful accounts (specific reserve)	—	—
Allowance for doubtful accounts (overseas claims reserve)	—	—	Allowance for doubtful accounts (overseas claims reserve)	—	—

Note 1: Allowance for doubtful accounts represents an allowance for possible losses on loans only.

Note 2: Allowance for doubtful accounts (general reserve) is not classified by region, industry and customer.

(5) The amount of write-off of loans by industry and customer

There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

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

Note 1: Ratings include only those rated by eligible rating agencies.

Note 2: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Company records exposure amounts in weighted categories after the application of credit risk mitigation techniques.

5. Credit risk mitigation methodology

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

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

Note 1: Japan Post Bank accepts cash, self-deposits and marketable securities as qualified financial collateral.

Note 2: Principal guarantors are national governments, etc. to which lower risks weighting than the guaranteed obligations are applied.

Note 3: Exposure amount included in funds such as investment trusts are not included herein.

6. Derivative transactions and transactions with long-term settlements

Derivative transactions and long-term settlements

(Millions of yen)

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

Note 1: Net credit equivalent are calculated by the "current exposure method."

Note 2: There were no risks mitigated by collateral and credit derivatives.

Note 3: Limited to transactions on which gross reconstruction costs are not less than zero.

Note 4: In accordance with Article 57, Paragraph 1 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, derivatives do not include foreign exchange related transactions with original contract periods of five business days or less.

Note 5: Long-term settlement period transactions are those resulting from receipt/delivery of securities with transaction settlement periods of five business days or longer.

Note 6: Derivative transactions and transactions with long-term settlements included in funds such as investment trusts are not included herein.

7. Securitization exposure

Securitization exposure in which the Group invests:

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

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

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

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

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

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

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

8. Market risk

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

9. Equity exposure in the banking account

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

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

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

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

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

(Millions of yen)

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

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

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

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

Note: Shares with market quotations are listed.

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

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

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

10. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used

11. Interest rate risk in the banking account

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

(Billions of yen)

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

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

3. Japan Post Holdings Co., Ltd.

—Non-consolidated Financial Data

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

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

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)	Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets			Liabilities		
Current assets (excluding contribution to society and community funds assets)			Current liabilities		
Cash and deposits	¥ 46,066	¥ 89,530	Accounts payable	¥ 15,311	¥ 51,800
Accounts receivable	162,423	152,401	Income taxes payable	131,610	92,767
Securities	8,400	—	Consumption taxes payable	1,528	56
Inventories	1,239	956	Accrued expenses	3,149	1,150
Short-term loan	110	—	Reserve for employees' bonuses	2,299	1,637
Prepaid expenses	86	104	Reserve for loss on natural disaster	—	1,256
Others	533	396	Others	793	817
Allowance for doubtful accounts	(25)	(18)	Total current liabilities	154,693	149,486
Total current assets	218,834	243,371	Long-term liabilities		
Non-current assets (excluding contribution to society and community funds assets)			Reserve for employees' retirement benefits	1,165,196	1,070,824
Tangible fixed assets			Reserve for directors' retirement benefits	69	90
Buildings: net	41,375	39,929	Reserve for compensation for accidents in the course of duty	26,460	25,412
Structures: net	737	753	Deferred tax liabilities	12,176	18,567
Machinery: net	681	606	Others	1,584	1,786
Vehicles: net	79	204	Total long-term liabilities	1,205,487	1,116,682
Tools and fixtures: net	31,614	24,547	Total Liabilities	¥ 1,360,180	¥ 1,266,168
Land	93,685	93,309	Net Assets		
Construction in progress	145	75	Shareholders' equity		
Total tangible fixed assets	168,320	159,427	Capital stock	¥ 3,500,000	¥ 3,500,000
Intangible fixed assets			Capital surplus		
Software	25,659	18,815	Capital reserve	4,503,856	4,503,856
Others	1,972	1,690	Total capital surplus	4,503,856	4,503,856
Total intangible fixed assets	27,631	20,506	Retained earnings		
Investments and other assets			Other retained earnings		
Stock of related parties	9,194,874	9,194,874	Unappropriated retained earnings	231,633	333,546
Long-term prepaid expenses	228	84	Total retained earnings	231,633	333,546
Claims in bankruptcy	86	107	Total shareholders' equity	8,235,489	8,337,402
Others	110	109	Contribution to society and community funds	29,701	45,063
Allowance for doubtful accounts	(86)	(107)	Valuation and translation adjustments of contribution to society and community funds	132	337
Total investments and other assets	9,195,214	9,195,069	Total Net Assets	¥ 8,265,323	¥ 8,382,804
Total non-current assets	9,391,165	9,375,002	Total Liabilities and Net Assets	¥ 9,625,504	¥ 9,648,973
Contribution to society and community funds assets					
Money held in trust	15,504	30,598			
Total contribution to society and community funds assets	15,504	30,598			
Total Assets	¥ 9,625,504	¥ 9,648,973			

2

Statements of Income

(Millions of yen)

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

3

Statements of Changes in Net Assets

(Millions of yen)

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

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

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

1. Significant Accounting Policies

1. Valuation criteria and methods for securities and money held in trust
 - (1) Shares of subsidiaries and shares of affiliates are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.
 - (2) Securities managed as assets of money held in trust are valued at amortized cost by a method similar to the one stated in (1).
Valuation and translation adjustments of contribution to society and community funds assets are listed under "Valuation and translation adjustments of contribution to society and community funds" in net assets as prescribed by the provisions of Article 12, Paragraph 4 of the Japan Post Holdings Co., Ltd. Law.
2. Valuation criteria and methods for inventories
Inventories are stated at cost using the moving-average method (writing down the book value of inventories based on decreased profitability).
3. Depreciation/amortization method for non-current assets
 - (1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed by the declining balance method. (However, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method.)
Useful lives for main depreciable items are as follows:
Buildings: 2-50 years
Others: 2-60 years
 - (2) Intangible fixed assets (excluding leased assets)
Intangible fixed assets are amortized using the straight-line method.
The useful lives are determined in accordance with the Corporation Tax Law.
The software used in-house is amortized over the prescribed useful lives (mainly 5 years).
 - (3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.
4. Criteria for allowances and reserves
 - (1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowances is provided using a rate determined by past bad debt experience and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability of certain doubtful accounts.
 - (2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
 - (3) Reserve for employees' retirement benefits
 - 1) To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (10 years) within the average remaining service years of the employees when incurred.
 - 2) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for the service period in and before December 1958 of those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of reserve for employees' retirement benefits.
The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining

payment periods for eligible personnel from the fiscal year after the difference is incurred.

- 3) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and before December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of reserve for employees' retirement benefits.
The actuarial difference is amortized using the straight-line method over certain years (5 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.
 - (4) Reserve for directors' retirement benefits
To provide for the payment of retirement benefits to directors, reserve for directors' retirement benefits is recorded in an actual amount needed at the end of the current fiscal year based on the Company's regulations.
 - (5) Reserve for compensation for accidents in the course of duty
To provide for the need to pay compensation to employees (or the families of the deceased) for accidents they were involved in during their duty or during commuting, reserve for compensation for accidents in the course of duty is posted as liabilities in the current fiscal year.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (15 years) within the average remaining service years of the employees when incurred.
 - (6) Reserve for loss on natural disaster
The Company records the estimated amounts to prepare for removal costs and restoration costs for assets damaged by the Great East Japan Earthquake.
5. Principal matters serving as the basis for preparing financial statements
 - (1) Accounting for consumption taxes
All figures are net of consumption taxes.
 - (2) Adoption of the consolidated tax payment system
The Company employs the consolidated tax payment system, with Japan Post Holdings Co., Ltd. as the parent company.
 - (3) Contribution to society and community funds is stipulated in Article 13 of the Japan Post Holdings Co., Ltd. Law.

2. Changes in Significant Accounting Policies

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

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

1. Notes to Balance Sheets

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

2. Notes to Statements of Income

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

3. Notes to Retirement Benefits

1. Retirement benefits

(1) Summary of retirement benefits

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

(2) Information about retirement benefit obligation

(Millions of yen)

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

(3) Information about retirement benefit expenses

(Millions of yen)

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

(4) Assumptions for the calculation of retirement benefit obligation

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

2. Share of public service pension

(1) Retirement benefit obligation related to share of public service pension

(Millions of yen)

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

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

(Millions of yen)

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

(3) Assumptions for the calculation of public service pension

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

3. Share of another public service pension

(1) Retirement benefit obligation related to share of another public service pension

(Millions of yen)

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

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

(Millions of yen)

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

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

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

4. Subsequent Events

None

4. Japan Post Network Co., Ltd.

—Non-consolidated Financial Data

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

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

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)	Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥ 1,915,747	¥ 2,020,815	Accounts payable-trade	¥ 5,404	¥ 5,590
Accounts receivable-trade	111,600	111,637	Long-term debt due within a year	71	—
Securities	88,300	—	Accounts payable	124,899	103,536
Real estate for sale in progress	1,581	1,583	Postal service business consignment payable	13,450	12,108
Merchandise	25	33	Banking business consignment payable	24,387	44,933
Supplies	1,770	1,101	Accrued expenses	21,444	21,261
Prepaid expenses	497	552	Income taxes payable	6,472	5,628
Accounts receivable	5,215	6,525	Consumption taxes payable	6,228	6,685
Insurance business consignment receivable	49,434	12,836	Deposits received	4,180	4,233
Others	26,079	27,432	Fund deposits for post offices	1,540,000	1,520,000
Allowance for doubtful accounts	(16)	(12)	Reserve for employees' bonuses	55,492	39,529
Total current assets	2,200,235	2,182,505	Reserve for loss on rebuilding of branches	237	68
Non-current assets			Reserve for loss on natural disaster	—	1,239
Tangible fixed assets			Asset retirement obligations	—	96
Buildings: net	346,953	329,728	Others	1,464	3,358
Structures: net	14,948	13,753	Total current liabilities	1,803,732	1,768,269
Machinery: net	212	194	Long-term liabilities		
Automobiles and other vehicles: net	1,324	1,308	Reserve for employees' retirement benefits	1,162,280	1,169,968
Tools and fixtures: net	22,590	21,475	Reserve for directors' retirement benefits	83	112
Land	613,862	611,369	Reserve for loss on rebuilding of branches	2,533	2,602
Construction in progress	12,428	46,033	Negative goodwill	497	298
Total tangible fixed assets	1,012,320	1,023,862	Asset retirement obligations	—	2,821
Intangible fixed assets			Others	16,068	16,212
Leaseholds	1,668	1,670	Total long-term liabilities	1,181,463	1,192,014
Air rights	14,077	14,077	Total Liabilities	¥ 2,985,196	¥ 2,960,284
Telephone rights	159	159	Net Assets		
Software	5,190	7,247	Shareholders' equity		
Others	1,790	2,477	Capital stock	¥ 100,000	¥ 100,000
Total intangible fixed assets	22,885	25,633	Capital surplus		
Investments and other assets			Capital reserve	100,000	100,000
Investment securities	14,512	14,573	Total capital surplus	100,000	100,000
Stock of related parties	200	200	Retained earnings		
Others	3,503	4,672	Other retained earnings		
Allowance for doubtful accounts	(1,339)	(1,622)	Unappropriated retained earnings	67,122	89,538
Total investments and other assets	16,876	17,822	Total retained earnings	67,122	89,538
Total non-current assets	1,052,082	1,067,318	Total shareholders' equity	267,122	289,538
Total Assets	¥ 3,252,318	¥ 3,249,823	Total Net Assets	¥ 267,122	¥ 289,538
			Total Liabilities and Net Assets	¥ 3,252,318	¥ 3,249,823

2

Statements of Income

(Millions of yen)

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

3

Statements of Changes in Net Assets

(Millions of yen)

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

4 Significant Accounting Policies

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

1. Significant Accounting Policies

1. Valuation criteria and methods for securities

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

2. Valuation criteria and methods for inventories

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

3. Depreciation/amortization method for non-current assets

- (1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed by the declining balance method (However, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method).
Useful lives in general are as follows:
Buildings: 2-50 years
Others: 2-60 years
 - (2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (5 years).
 - (3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.
4. Criteria for allowances and reserves
 - (1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowance is provided using a rate determined by past bad debt experience and also specific allowance is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
 - (2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.

- (3) Reserve for employees' retirement benefits

To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year. Prior service cost is to be charged to expenses using the straight-line method over determined years (14 years) within the average remaining service years of the employees when incurred.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.

- (4) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, the Company provides the amount payable at the fiscal year-end in accordance with the Rules on Retirement Benefits to Directors.

- (5) Reserve for loss on rebuilding of branches (post offices)

To provide for losses incurred in rebuilding branches (post offices) as part of the real estate development business, the Company records the amount of expected losses as of the end of the fiscal year. Specifically, reserve for loss on rebuilding of branches is recorded based on expected losses at the end of the fiscal year. The losses are mainly composed of those of existing buildings and expected removal.

- (6) Reserve for loss on natural disaster

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

5. Other important assumptions for financial statements

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

2. Change in Significant Accounting Policies

[Application of Accounting Standard for Asset Retirement Obligations]

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

As a result, in the current fiscal year, net operating income and ordinary income decreased ¥249 million, respectively, and net income before income taxes decreased ¥2,032 million.

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets:	¥131,188 million
2. Receivables and payables involving related parties	
Accounts receivable and others	¥1,177 million
Accounts payable	¥5,861 million
3. Assets pledged as collateral	
The following is pledged as collateral for performing services as the Bank of Japan revenue sub-agents	
Investment securities:	¥14,573 million
4. Contingent liabilities	
Some of the lease contracts for the precincts of post offices have been taken over from the former Japan Post. Such contracts state that the lesser retains the right to call for compensation if Japan Post Network Co., Ltd. cancels all or part of the lease contracts. The amount of such cancellation compensation is	

to be calculated based on the remaining portion of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2011 the potential cancellation claims were ¥140,646 million.

Since the calculation method for cancellation claims have not been set, the noted amount is based on a fixed hypothesis.

However, if the buildings are not to be demolished, the compensation does not cover the entire remaining portion of the initial investment.

5. Others

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

Japan Post Bank Co., Ltd.:	¥1,340,000 million
Japan Post Insurance Co., Ltd.:	¥180,000 million

2. Notes to Statements of Income

1. Operating transactions with related parties
- | | |
|----------------------------------------|-----------------|
| Operating income | ¥4,731 million |
| Operating expenses | ¥7,271 million |
| Sales, general and administrative cost | ¥24,605 million |
| Other income | ¥1,874 million |
| Other expenses | — |
2. Loss on natural disaster is the loss related to damage incurred at post offices in each region caused by the Great East Japan Earthquake on March 11, 2011. This amount is computed using a best estimate based on currently available information. The principal items are ¥1,271 million in loss in damage to assets, ¥403 million in asset removal costs, and ¥242 million in asset restoration and other costs.
- Among loss on natural disaster, reserve for loss on natural disaster is ¥1,239 million.

3. Notes to Statements of Changes in Net Assets

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

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

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

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

4. Notes to Retirement Benefits

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

2. Information about retirement benefit obligation

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

3. Information about retirement benefit expenses

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

4. Assumptions for the calculation of retirement benefit obligation

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

5. Subsequent Events

None

6

Reference

Breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)	2011 (From April 1, 2010 to March 31, 2011)
Operating expenses		
Personnel expenses	¥ 883,061	¥ 872,955
(of which amount deferred for reserve for employees' bonuses)	51,690	36,570
(of which retirement benefit expenses)	70,202	69,290
Expenses	211,927	213,345
Charges for facilities	82,545	81,362
Charges for fees and commissions	29,490	28,999
Depreciation expenses	21,939	20,010
Communication charges	14,721	13,852
Facility maintenance expenses	14,183	14,160
Utility expenses	12,008	12,910
Taxes and dues	8,319	8,119
Subcontractor expenses	6,087	7,024
Others	22,630	26,906
Total operating expenses	¥ 1,094,988	¥ 1,086,301

Sales, general and administrative costs		
Personnel expenses	56,817	59,666
(of which amount deferred for reserve for employees' bonuses)	3,802	2,959
(of which retirement benefit expenses)	4,503	4,437
Expenses	59,995	60,832
Charges for fees and commissions	22,213	21,781
Subcontractor expenses	9,197	8,111
Depreciation expenses	6,850	7,514
Taxes and dues	5,698	5,544
Advertising expenses	5,077	5,422
Others	10,956	12,459
Total sales, general and administrative costs	¥ 116,813	¥ 120,499

5. Japan Post Service Co., Ltd.

—Non-consolidated Financial Data

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

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)	Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥ 316,337	¥ 188,071	Accounts payable-trade	¥ 51,046	¥ 53,457
Accounts receivable-trade	135,789	126,321	Lease obligations	—	1,438
Securities	120,000	133,000	Accounts payable	134,941	139,719
Merchandise	3,724	2,847	Accrued expenses	12,042	12,173
Supplies	2,030	3,492	Income taxes payable	7,522	—
Prepaid expenses	1,091	1,040	Advance postal fees received	40,559	39,646
Short-term loan	33,000	—	Deposits received	372,500	326,905
Accounts receivable	—	40,919	Reserve for employees' bonuses	53,241	39,620
Income taxes receivable	—	1,004	Reserve for refund for Fumi Cards	—	42
Other current assets	6,752	639	Others	1,299	1,587
Allowance for doubtful accounts	(41,076)	(1,049)	Total current liabilities	673,154	614,590
Total current assets	577,649	496,286	Long-term liabilities		
Non-current assets			Lease obligations	—	2,215
Tangible fixed assets			Reserve for employees' retirement benefits	1,057,089	1,048,986
Automobiles and other vehicles: net	4,718	9,830	Reserve for directors' retirement benefits	83	79
Buildings: net	624,953	589,433	Reserve for refund for Fumi Cards	170	—
Structures: net	13,141	12,341	Others	5,961	6,015
Machinery: net	22,499	23,558	Total long-term liabilities	1,063,304	1,057,297
Tools and fixtures: net	12,669	9,683	Total Liabilities	¥ 1,736,458	¥ 1,671,887
Land	634,062	636,545	Net Assets		
Leased assets: net	43	3,531	Shareholders' equity		
Construction in progress	681	885	Capital stock	¥ 100,000	¥ 100,000
Total tangible fixed assets	1,312,770	1,285,809	Capital surplus		
Intangible fixed assets			Capital reserve	100,000	100,000
Software	19,808	34,101	Total capital surplus	100,000	100,000
Other intangible fixed assets	10,148	3,650	Retained earnings		
Total intangible fixed assets	29,956	37,752	Other retained earnings		
Investments and other assets			Unappropriated retained earnings	26,981	(8,453)
Stock of related parties	38,499	38,457	Total retained earnings	26,981	(8,453)
Claims in bankruptcy	1,443	2,910	Total shareholders' equity	226,981	191,546
Long-term prepaid expenses	1,932	1,810	Total Net Assets	¥ 226,981	¥ 191,546
Other assets	2,627	3,312			
Allowance for doubtful accounts	(1,439)	(2,905)	Total Liabilities and Net Assets	¥ 1,963,440	¥ 1,863,433
Total investments and other assets	43,063	43,585			
Total non-current assets	1,385,791	1,367,147			
Total Assets	¥ 1,963,440	¥ 1,863,433			

2

Statements of Income

(Millions of yen)

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

3

Statements of Changes in Net Assets

(Millions of yen)

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

4

Significant Accounting Policies

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

1. Significant Accounting Policies

1. Valuation criteria and methods for securities
 - (1) Shares of subsidiaries and related parties
Shares of subsidiaries and related parties are stated at cost using the moving-average method.
 - (2) Available-for-sale securities
Securities without market quotations are stated at cost using the moving-average method.
2. Valuation criteria and methods for inventories
Merchandise and supplies are recognized at cost using the moving-average method (carrying amounts on the balance sheet are computed by writing down the book value of inventories based on decreased profitability).
3. Depreciation/amortization method for non-current assets
 - (1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed by the declining balance method. (However, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method.)
Useful lives for main depreciable items are as follows:
Vehicles: 2-7 years
Buildings: 2-50 years
Structures: 2-75 years
Machinery: 2-17 years
Tools, apparatus, equipment: 2-20 years
 - (2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (within 5 years).
 - (3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.
4. Criteria for allowances and reserves
 - (1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowances is provided using a rate determined by past bad debt experience and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
 - (2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
 - (3) Reserve for refund for Fumi Cards
To provide reserve for refund for Fumi Cards is recorded in a projected amount for the end of the current fiscal year.
 - (4) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year.
Actuarial difference is amortized using the straight-line method over certain years (13 years) within the estimated average remaining payment periods for eligible personnel when the difference incurred in the current fiscal

- year, respectively from the fiscal year after the difference is incurred.
- (5) Reserve for directors' retirement benefits
To provide for directors' retirement benefits, reserve for directors' retirement benefits is recorded in the amount payable at the fiscal year-end in accordance with the bylaws of the Company.
5. Other important assumptions for financial statements
 - (1) Consumption taxes
Accounting for consumption tax and regional consumptions tax is net of consumption tax.
 - (2) Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

2. Change in presentation

1. Balance sheet presentation
 - (1) Because of its increased importance, "Accounts receivable" which was included in "others" in the previous fiscal year, is listed as a separate category in the current fiscal year. "Accounts receivable" in the previous fiscal year was ¥4,811 million.
 - (2) Because of increased importance, "Lease obligations" in Current liabilities and "Lease obligations" in Long-term liabilities, which in the previous fiscal year were included in "Others" within Current liabilities and in "Others" within "Long-term liabilities," respectively, are listed as separate categories in the current fiscal year. "Lease obligations" included in "Others" within Current liabilities in the previous fiscal year was ¥6 million. "Lease obligations" listed in "Others" within Long-term liabilities in the previous fiscal year was ¥36 million.
2. Statements of income presentation
Because of decreased importance, "reversal of reserve for refund for Fumi Cards," which was listed as an item in "Extraordinary gains" in the previous fiscal year, is included in "Others" within "Extraordinary gains" in the current fiscal year. "Reversal of reserve for refund for Fumi Cards" included in "Others" within extraordinary gains" in the current fiscal year is ¥54 million.

3. Changes in Significant Accounting Policies

1. Application of Accounting Standards for Asset Retirement Obligations Effective from the current fiscal year, the Company has applied "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ), Statement No. 18; March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008).
As a result, in the current fiscal year, net operating loss and net ordinary loss increased by ¥5 million, and net loss before income taxes increased by ¥88 million.
2. Application of the Accounting Standards for Business Combinations Effective from the current fiscal year, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21; December 26, 2008), and "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10; December 26, 2008).

5

Notes to Financial Statements

1. Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets: ¥222,304 million
2. Receivables and payables involving related parties

Short-term receivables:	¥35,030 million
Short-term payables:	¥12,958 million
3. Assets pledged as collateral
As prescribed by laws concerning regulations on prepaid vouchers, other assets within investments and other assets includes assets pledged as collateral of ¥1,753 million.
4. Monetary assets as collateral
Japan Post Service holds securities as collateral pledged by users of its pay-later postal services. Such securities are valued at ¥3 million as of March 31 of the current fiscal year.

2. Notes to Statements of Income

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

Operating transactions (received):	¥9,448 million
Operating transactions (paid):	¥146,693 million
Transactions other than operational (received):	¥779 million
2. Details of loss on disposal of fixed assets

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

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

3. Notes to Statements of Changes in Net Assets

1. Information concerning types and total number of outstanding shares

(Thousands of shares)

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

2. Information concerning dividends

Cash dividends (paid) applicable to the current fiscal year
None

4. Notes to Retirement Benefits

1. Summary of retirement benefits

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

2. Information about retirement benefit obligation

(Millions of yen)

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

3. Information about retirement benefit expenses

(Millions of yen)

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

4. Assumptions for the calculation of retirement benefit obligation

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

5. Subsequent Events

None

6 Reference

Breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

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

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

6. Japan Post Bank Co., Ltd.

—Non-consolidated Financial Data

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

1

Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)	Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets:			Liabilities:		
Cash and due from banks (Notes 18 and 21):	¥ 4,440,804	¥ 5,050,921	Deposits (Notes 8, 9 and 21)	¥175,797,715	¥174,653,220
Cash	117,546	158,149	Payables under securities lending transactions (Notes 8 and 21)	6,236,017	8,083,860
Due from banks	4,323,257	4,892,771	Borrowed money (Notes 10 and 21)	2,000,000	—
Call loans (Note 21)	261,649	429,663	Foreign exchanges (Note 3)	116	178
Receivables under securities borrowing transactions (Note 21)	2,495,622	4,483,396	Other liabilities (Note 11)	1,523,721	1,201,573
Monetary claims bought (Note 21)	124,082	133,214	Contingent liabilities (Note 12)		
Trading account securities (Notes 21 and 22):	196	282	Reserve for employees' bonuses	6,815	4,797
Trading Japanese government bonds	196	282	Reserve for employees' retirement benefits (Note 25)	129,015	133,517
Money held in trust (Notes 21 and 22)	1,015,355	1,806,768	Reserve for directors' retirement benefits	194	133
Securities (Notes 8, 20, 21, 22 and 23):	178,230,687	175,026,411	Deferred tax liabilities (Note 26)	145,208	162,434
Japanese Government Bonds	155,891,563	146,460,963	Acceptances and guarantees (Notes 7 and 8)	—	110,000
Japanese local government bonds	5,289,202	5,658,837	Total liabilities	185,838,804	184,349,715
Japanese corporate bonds	12,281,230	12,907,752	Net assets (Note 17):		
Other securities	4,768,691	9,998,859	Common stock	3,500,000	3,500,000
Loans (Notes 21 and 24):	4,022,547	4,238,772	Capital surplus	4,296,285	4,296,285
Loans on deeds	3,783,806	4,015,810	Retained earnings	652,598	894,828
Overdrafts	238,741	222,961	Total shareholder's equity	8,448,884	8,691,114
Foreign exchanges (Note 3)	5,860	4,735	Net unrealized gains (losses) on available-for-sale securities (Note 22)	382,593	392,251
Other assets (Notes 4, 8 and 21)	3,902,137	1,954,512	Deferred gains (losses) on hedges	8,069	10,269
Tangible fixed assets (Note 5)	142,032	151,255	Total valuation and translation adjustments	390,663	402,520
Intangible fixed assets (Note 6)	38,931	55,157	Total net assets	8,839,547	9,093,634
Customers' liabilities for acceptances and guarantees (Note 7)	—	110,000	Total liabilities and net assets	¥194,678,352	¥193,443,350
Reserve for possible loan losses (Note 21)	(1,556)	(1,742)			
Total assets	¥194,678,352	¥193,443,350			

See notes to financial statements.

2

Statements of Income

(Millions of yen)

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

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

See notes to financial statements.

3

Statements of Changes in Net Assets

(Millions of yen)

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

See notes to financial statements.

4

Statements of Cash Flows

(Millions of yen)

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

See notes to financial statements.

1. Basis of Presenting Financial Statements

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

The Bank has no subsidiaries to be consolidated.

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

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

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

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

2. Summary of Accounting Policies

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

- (1) Trading account securities, which are held in the short term, are reported at fair value, and the related unrealized gains and losses are included in earnings;
- (2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost (straight-line method) determined by the moving-average method;
- (3) Investments in affiliates are reported at cost determined by the moving-average method; and
- (4) Available-for-sale securities that are not classified as either of the aforementioned securities and have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are reported in a separate component of net assets.

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

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

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

straight-line method over the estimated useful life of 5 years.

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

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

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

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

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

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

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

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

(Change in accounting policy)

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

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

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

Hedging against interest rate risks:

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

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

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

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

Hedging against foreign exchange fluctuation risks:

The Bank applies the deferred hedge accounting method, the fair

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

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

- j. Consumption Taxes—The Bank is subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.
- k. Income Taxes—The Bank adopts the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company.
- l. Cash and Cash Equivalents—For the purpose of the statement of cash flows, cash and cash equivalents represent cash and due from banks on the balance sheet, excluding negotiable certificates of deposit in other banks.
- m. Adoption of the Accounting Standard for Asset Retirement Obligations—Effective from the fiscal year ended March 31, 2011, the Bank has adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The effects of adoption of these standard and guidance on income before income taxes were immaterial.
- n. Additional Information—Disclosure of fair values of financial instruments
Effective from the fiscal year ended March 31, 2010, the Bank adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008).

3. Foreign Exchanges

Foreign exchanges as of March 31, 2011 and 2010 consisted of the following:
(Millions of yen)

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

4. Other Assets

Other assets as of March 31, 2011 and 2010 consisted of the following:
(Millions of yen)

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

5. Tangible Fixed Assets

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

(Millions of yen)

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

6. Intangible Fixed Assets

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

(Millions of yen)

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

7. Customers' Liabilities for Acceptances and Guarantees

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

8. Assets Pledged as Collateral

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

(Millions of yen)

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

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

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

9. Deposits

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

(Millions of yen)

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

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

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

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

10. Borrowed Money

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

(Millions of yen)

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

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

(Millions of yen)		
	2010	2011
One year or less	¥2,000,000	¥—
Total	¥2,000,000	¥—

11. Other Liabilities

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

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

12. Contingent Liabilities

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

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

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

13. Other Operating Income

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

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

14. Other Income

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

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

15. Other Operating Expenses

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

(Millions of yen)

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

16. Other Expenses

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

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

17. Shareholder's Equity

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

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

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

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

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

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

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

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

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

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

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

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

18. Cash and Cash Equivalents

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

(Millions of yen)

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

19. Leases

Operating lease transactions:

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

(Millions of yen)

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

20. Securities

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

21. Financial Instruments

a. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

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

The Bank raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds, which mainly consist of Japanese Government Bonds, foreign bonds, etc. as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Bank

including affecting the stability of its earnings. The Bank therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

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

(2) Details of financial instruments and associated risks

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

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

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

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

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

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

(3) Risk management structure for financial instruments

a) Basic policy

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

b) Credit risk

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

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

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

c) Market risk

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

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

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

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

In addition, the Bank has a distinctive asset and liability structure, with Japanese Government Bonds accounting for the majority of its as-

sets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Bank's profit structure, the Bank closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

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

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

d) Funding liquidity risk

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

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

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

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

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

b. Notes related to the fair values of financial instruments

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

(Millions of yen)

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

(Millions of yen)

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

* Insignificant balance sheet accounts are not disclosed.

** Reserve for possible loan losses is the general reserve for possible loan losses corresponding to loans.

*** Figures are total derivative transactions recorded as other assets or other liabilities.

The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.

Hedges covered by designation of foreign exchange forward contracts are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

(Note 1)

Assets

(1) Cash and due from banks

The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Bank uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

(2) Call loans and (3) Receivables under securities borrowing transactions
Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

(4) Monetary claims bought

The Bank uses the price provided by the broker, etc. as the fair value.

(5) Trading account securities

The Bank uses the purchase price of the Bank of Japan as the fair value.

(6) Money held in trust

For invested securities representing trust assets in money held in trust, the Bank uses the price at the exchange market for equities and the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value.

Notes pertaining to money held in trust by holding purpose are included in the below "g. Money held in trust" of Note 22. Fair Value Information for Securities.

(7) Securities

For bonds, the Bank uses a price calculated based on the exchange price, the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by the broker, etc. as the fair value. The Bank uses the funds' unit price for investment trust as the fair value.

Notes pertaining to securities by holding purpose are included in the below Note 22. Fair Value Information for Securities.

(8) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value. For fixed-rate loans, the Bank calculates the

fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.

For loans that are limited to within a designated percentage of the amount of pledged assets, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

(9) Other assets

Deposits (to the fiscal loan fund) recorded under other assets are settled within a short term (within one year), consequently the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Liabilities

(1) Deposits

For demand deposits including transfer deposits and ordinary deposits, the Bank uses the amount that might be paid on demand at the balance sheet date (the book value) as the fair value.

For fixed-term deposits including time deposits and TEIGAKU deposits, the Bank classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Bank uses the interest rates on newly accepted fixed-term deposits as the discount rate.

(2) Payables under securities lending transactions

Payables under securities lending transactions are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

(3) Borrowed money

The repayment period for borrowed money is short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Derivative transactions

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

(Note 2)

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

(Millions of yen)

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

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

(Note 3)

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

(Millions of yen)

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

(Note 4)

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

(Millions of yen)

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

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

22. Fair Value Information for Securities

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

a. Trading account securities

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

b. Held-to-maturity securities

(Millions of yen)

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

(Millions of yen)

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

c. Investments in subsidiaries and affiliates

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

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

(Millions of yen)

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

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

(Millions of yen)

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

(Millions of yen)

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

e. Held-to-maturity securities

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

(Millions of yen)

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

(Millions of yen)

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

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

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

f. Available-for-sale securities

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

(Millions of yen)

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

(Millions of yen)

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

g. Money held in trust

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

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

(Millions of yen)

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

(Millions of yen)

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

Notes:1. The amounts on the balance sheet are stated at the average market price of the final month for the fiscal year for equity securities and at the market price at the balance sheet date for other securities.

2. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.

3. For the securities (equity securities) with market quotations that were under management as trust assets, whose fair value showed a substantial decline from their acquisition cost and was not judged to recover to its book value, the Bank reduced its book value of securities at fair value on the balance sheet and charged valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. The amount of impairment losses for the fiscal years ended March 31, 2011 and 2010 amounted to ¥19,653 million (\$236,360 thousand) and ¥8,270 million, respectively. Securities were judged as impaired when their fair values showed a substantial decline from their book value.

The criteria for determining if such a decline is significant are as follows:

* Securities whose fair value is 50% or less than the acquisition cost, or

* Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

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

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

(Millions of yen)

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

23. Derivatives

a. Derivatives for which hedge accounting not applied as of March 31, 2011 and 2010

For derivative transactions for which hedge accounting is not applied, the contract amounts at the balance sheet date for each type of underlying instrument, the principal equivalent amount stipulated in the contract, the fair value, unrealized gains or losses, and the method for calculating the corresponding fair value are as follows. The amount shown as the contract amount, etc. does not show market risk related to the derivative transactions.

(1) Interest rate-related instruments: None as of March 31, 2011 and 2010

(2) Currency-related instruments as of March 31, 2011 and 2010:
The Bank had the following derivative instruments outstanding as of March 31, 2011 and 2010:

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

(Millions of yen)

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

(Millions of yen)

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

Notes:1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the statement of income.

2. The fair value is determined using the discounted present value of future cash flows.

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

b. Derivatives for which hedge accounting applied as of March 31, 2011 and 2010

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

(1) Interest rate-related instruments

(Millions of yen)

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

(Millions of yen)

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

Notes:1. The deferred hedge method is basically applied as the hedge accounting method for interest rate risks arising from financial assets and liabilities.

2. The fair value is determined using the discounted present value of future cash flows.

(2) Currency-related instruments

(Millions of yen)

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

(Millions of yen)

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

Notes:1. Deferred hedging is used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.

2. The fair value is determined using the discounted present value of future cash flows.

3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the contract being hedged, and their fair value is therefore included in that of the corresponding contract under Note 21.Financial Instruments.

24. Loans

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

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

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

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

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Bank to decline the request for a loan 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 established internal procedures and takes necessary measures to protect its credit.

25. Reserve for Retirement Benefits

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

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

26. Income Taxes

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

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

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

(Millions of yen)

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

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

27. Profit or Loss From Equity Method

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

(Millions of yen)

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

Additional Information

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

28. Segment Information

Segment Information

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

Related Information

a. Information about services

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

b. Information about geographical areas

1) Revenues

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

2) Tangible fixed assets

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

c. Information about major customers

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

Information about losses on impairment of fixed assets by reported segments

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

Information about amortization of goodwill and unamortized balance by reported segment

None

Information about recognized gain on negative goodwill by reported segments

None

Additional Information

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

29. Related Party Transactions

a. Transactions with related parties

(1) Transactions between the Bank and related parties for the years ended March 31, 2011 and 2010 were as follows:

For the year ended March 31, 2010

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

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

For the year ended March 31, 2011

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

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

* Payment is made pursuant to Article 122 of the Postal Service Privatization Law.

** Payment is made for data processing services using JAPAN POST GROUP internal networks in accordance with a contract with the parent company, at rates determined based on general transactions.

*** Payment of management fees is determined based on the total costs incurred in regard to business management conducted by the parent company.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:

None for the fiscal years ended March 31, 2011 and 2010

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

For the year ended March 31, 2010

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

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

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

** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2010.

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

Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

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

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

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

Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

For the year ended March 31, 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Information on significant affiliates
None

30. Per Share Data

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

(yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

31. Subsequent Event

None

7. Japan Post Insurance Co., Ltd.

—Non-consolidated Financial Data

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

1 Balance Sheets

(Millions of yen)

Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)	Item	2010 (As of March 31, 2010)	2011 (As of March 31, 2011)
Assets			Liabilities		
Cash and deposits	¥ 2,287,864	¥ 2,046,178	Policy reserves	¥ 97,226,858	¥92,817,891
Cash	6,510	5,417	Reserve for outstanding claims	1,131,793	1,020,922
Deposits	2,281,353	2,040,760	Policy reserves	93,417,099	89,164,763
Call loans	353,889	595,689	Reserve for policyholders' dividends	2,677,965	2,632,205
Receivables under securities borrowing transactions	799,678	1,266,649	Due to reinsurers	253	222
Monetary claims bought	8,058	40,698	Other liabilities	2,090,736	2,293,130
Money held in trust	175,038	225,365	Payable under securities lending transactions	1,029,168	1,477,611
Securities	80,341,503	77,173,062	Income taxes payable	10,378	18,876
Japanese government bonds	67,617,608	64,103,036	Accounts payable	846,232	635,443
Japanese local government bonds	5,128,174	6,255,799	Accrued expenses	13,841	12,129
Japanese corporate bonds	6,937,524	6,090,524	Unearned revenues	—	0
Foreign securities	658,195	723,702	Deposits received	13,125	13,501
Loans	16,260,524	14,547,498	Deposits received from Management Organization for Postal Savings and Postal Life Insurance	164,678	121,910
Policy loans	3,101	10,060	Derivatives	2,510	1,379
General loans	351,527	461,098	Lease obligations	793	1,105
Loans to Management Organization for Postal Savings and Postal Life Insurance	15,905,896	14,076,339	Asset retirement obligations	—	15
Tangible fixed assets	99,297	89,812	Suspense receipt	9,315	10,280
Land	40,726	40,726	Other liabilities	692	876
Buildings, net	34,982	34,028	Reserve for possible claims payment	6,914	2,303
Leased assets	724	1,052	Reserve for employees' retirement benefits	54,147	55,721
Construction in progress	97	31	Reserve for directors' retirement benefits	96	131
Others, net	22,767	13,973	Reserve for price fluctuations	421,408	409,674
Intangible fixed assets	89,289	95,974	Total liabilities	¥ 99,800,415	¥95,579,075
Software	89,268	95,951	Net assets		
Others	21	22	Capital stock	¥ 500,000	¥ 500,000
Agency accounts receivable	111,507	127,916	Capital surplus	500,044	500,044
Other assets	252,369	269,188	Legal capital surplus	405,044	405,044
Accounts receivable	13,434	48,062	Other capital surplus	95,000	95,000
Prepaid expenses	1,341	549	Retained earnings	126,722	186,466
Accrued income	231,721	215,776	Legal retained earnings	1,915	5,422
Cash segregated as deposits	1,753	1,344	Other retained earnings	124,806	181,044
Suspense payments	1,627	1,846	Retained earnings brought forward	124,806	181,044
Other assets	2,490	1,609	Total shareholders' equity	1,126,766	1,186,511
Deferred tax assets	191,661	309,781	Net unrealized gains (losses) on securities	42,599	21,179
Allowance for doubtful accounts	(902)	(1,050)	Total valuation and translation adjustments	42,599	21,179
Total assets	¥100,969,782	¥96,786,765	Total net assets	¥ 1,169,366	¥ 1,207,690
			Total liabilities and net assets	¥100,969,782	¥96,786,765

2

Statements of Income

(Millions of yen)

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

3

Statements of Changes in Net Assets

(Millions of yen)

	2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)		2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)
Shareholders' equity:			Valuation and translation adjustments:		
Capital stock:			Net unrealized gains (losses) on securities:		
Balance at the end of previous period	¥ 500,000	¥ 500,000	Balance at the end of previous period	¥ 6,537	¥ 42,599
Balance at the end of current period	¥ 500,000	¥ 500,000	Changes of items during the period:		
Capital surplus:			Net changes of items other than shareholders' equity	36,062	(21,420)
Legal capital surplus:			Total changes during the period	36,062	(21,420)
Balance at the end of previous period	¥ 405,044	¥ 405,044	Balance at the end of current period	¥ 42,599	¥ 21,179
Balance at the end of current period	¥ 405,044	¥ 405,044	Total net unrealized gains (losses) on securities:		
Other capital surplus:			Balance at the end of previous period	¥ 6,537	¥ 42,599
Balance at the end of previous period	¥ 95,000	¥ 95,000	Changes of items during the period:		
Balance at the end of current period	¥ 95,000	¥ 95,000	Net changes of items other than shareholders' equity	36,062	(21,420)
Total capital surplus:			Total changes during the period	36,062	(21,420)
Balance at the end of previous period	¥ 500,044	¥ 500,044	Balance at the end of current period	¥ 42,599	¥ 21,179
Balance at the end of current period	¥ 500,044	¥ 500,044	Total net assets:		
Retained earnings:			Balance at the end of previous period	¥1,072,756	¥1,169,366
Legal retained earnings:			Changes of items during the period:		
Balance at the end of previous period	¥ —	¥ 1,915	Dividends	(9,579)	(17,531)
Changes of items during the period:			Net income	70,126	77,276
Dividends	1,915	3,506	Net changes of items other than shareholders' equity	36,062	(21,420)
Total changes during the period	1,915	3,506	Total changes during the period	96,610	38,323
Balance at the end of current period	¥ 1,915	¥ 5,422	Balance at the end of current period	¥1,169,366	¥1,207,690
Other retained earnings:					
Retained earnings brought forward:					
Balance at the end of previous period	¥ 66,174	¥ 124,806			
Changes of items during the period:					
Dividends	(11,494)	(21,037)			
Net income	70,126	77,276			
Total changes during the period	58,631	56,238			
Balance at the end of current period	¥ 124,806	¥ 181,044			
Total retained earnings:					
Balance at the end of previous period	¥ 66,174	¥ 126,722			
Changes of items during the period:					
Dividends	(9,579)	(17,531)			
Net income	70,126	77,276			
Total changes during the period	60,547	59,744			
Balance at the end of current period	¥ 126,722	¥ 186,466			
Total shareholders' equity:					
Balance at the end of previous period	¥1,066,218	¥1,126,766			
Changes of items during the period:					
Dividends	(9,579)	(17,531)			
Net income	70,126	77,276			
Total changes during the period	60,547	59,744			
Balance at the end of current period	¥1,126,766	¥1,186,511			

4

Statements of Cash Flows

(Millions of yen)

	2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)		2010 (For the year ended March 31, 2010)	2011 (For the year ended March 31, 2011)
Cash flows from operating activities:					
Net income before income taxes	¥ 110,343	¥ 121,811	Payments for increase in money held in trust	—	(123,700)
Depreciation	40,996	36,786	Proceeds from decrease in money held in trust	290,030	64,476
Increase (decrease) in reserve for outstanding claims	(33,801)	(110,871)	Payments for purchase of securities	(12,267,218)	(10,694,031)
Increase (decrease) in policy reserves	(5,384,121)	(4,252,336)	Proceeds from sales and redemption of securities	15,186,248	13,649,563
Interest portion of reserve for policyholders' dividends	21,483	17,765	Payments for loans	(2,668,111)	(2,350,817)
Provision for reserve for policyholders' dividends	294,394	311,922	Proceeds from collection of loans	4,749,354	4,063,828
Increase (decrease) in allowance for doubtful accounts	142	148	Net increase (decrease) in receivables/payables under securities borrowing transactions	(57,869)	(18,527)
Increase (decrease) in reserve for possible claims payment	6,914	(4,610)	Others	167,892	(113,553)
Increase (decrease) in reserve for employees' retirement benefits	480	1,573	Total of net cash provided by (used in) investment transactions	5,503,195	4,203,140
Increase (decrease) in reserve for directors' retirement benefits	34	35	Total of net cash provided by (used in) operating activities and investment transactions as above	¥ 62,348	¥ (191,771)
Increase (decrease) in reserve for price fluctuations	(25,173)	(11,734)	Payments for purchase of tangible fixed assets	¥ (5,259)	¥ (3,471)
Interest, dividends and other income	(1,616,041)	(1,579,689)	Proceeds from sales of tangible fixed assets	2	2
Losses (gains) on money held in trust	(38,799)	(15,714)	Payments for purchase of intangible fixed assets	(38,738)	(37,440)
Losses (gains) related to securities	16,462	(25,008)	Others	(349)	8,780
Interest expenses	2,866	2,040	Net cash provided by (used in) investing activities	5,458,850	4,171,012
Losses (gains) on derivatives	204	178	Cash flows from financing activities:		
Foreign exchange losses (gains)	915	2,035	Proceeds involved in sale and lease-back transaction	229	—
Losses (gains) related to tangible fixed assets	65	177	Repayment for lease obligations	—	(254)
Losses on disaster	—	26	Dividends paid	(9,579)	(17,531)
Net decrease (increase) in agency accounts receivable	(15,367)	(16,409)	Net cash provided by (used in) financing activities	(9,349)	(17,785)
Decrease (increase) in other investing and financing activities assets	(9,254)	(32,591)	Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in reinsurance accounts payable	15	(30)	Net increase (decrease) in cash and cash equivalents	8,653	(241,685)
Increase (decrease) in other investing and financing activities liabilities	(168,717)	(42,661)	Cash and cash equivalents at beginning of period	2,279,210	2,287,864
Others	(936)	76	Cash and cash equivalents at end of period	¥ 2,287,864	¥ 2,046,178
Subtotal	(6,796,893)	(5,597,078)			
Interest and dividends income received	1,776,776	1,696,481			
Interest expenses paid	(2,883)	(2,041)			
Dividends to policyholders paid	(397,653)	(374,860)			
Income taxes paid	(20,192)	(117,413)			
Net cash provided by (used in) operating activities	(5,440,846)	(4,394,912)			
Cash flows from investing activities:					
Payments for purchase of call loans	(30,031,989)	(31,157,189)			
Proceeds from redemption of call loans	30,138,358	30,915,389			
Payments for purchase of monetary claims bought	(3,500)	(62,296)			
Proceeds from sales and redemption of monetary claims bought	—	29,997			

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

1. Summary of Significant Accounting Policies

(1) Securities

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

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

(iii) Available-for-sale securities

a. Available-for-sale securities with market value

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

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

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

• Others

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

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

(2) Money held in trust

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

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

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

(3) Derivatives

Derivatives are stated at market value.

(4) Depreciation/amortization of tangible fixed assets

Tangible fixed assets are depreciated as follows:

Buildings: Straight-line method

Others: Declining-balance method

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

Straight-line method over the lease term

(5) Depreciation/amortization of intangible fixed assets

Intangible fixed assets are amortized as follows:

Software: Straight-line method over the prescribed useful lives

(6) Foreign currency

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

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

(7) Allowance and reserve

(i) Allowance for doubtful accounts

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

For all loans and claims, the relevant department in Japan Post Insurance performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits

the result of the assessment. The above reserves are established based on the result of this assessment.

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

(ii) Reserve for possible claims payment

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

(iii) Reserve for employees' retirement benefits

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

(iv) Reserve for directors' retirement benefits

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

(8) Reserve for price fluctuations

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

(9) Hedge accounting

(i) Methods for hedge accounting

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

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

(ii) Hedging instruments and hedged items

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

(iii) Hedging policies

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

(iv) Assessment of hedge effectiveness

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

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

(10) Definition of cash in statement of cash flows

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

(11) Other important assumptions for financial statements

(i) Reserve for outstanding claims

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

(ii) Policy reserve:

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

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

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

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

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

- (iii) Consumption tax with respect to the accounting of consumption tax and local consumption tax:
All figures are net of consumption tax.
- (iv) Consolidated tax payment system:
The consolidated tax payment system is adopted with Japan Post Holdings Co., Ltd. as the parent company.

2. Change in Significant Accounting Policy

"Accounting Standard for Asset Retirement Obligations"

Effective as of the fiscal year ended March 31, 2011, Japan Post Insurance has adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ), Statement No.18; March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21; March 31, 2008).

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

3. Notes to Balance Sheets

- (1) As for consumption loan contracts, the balance sheet amount of securities (Japanese government bonds) lent in securities borrowing and lending transactions with cash collateral is ¥50,236 million and the carrying amount of cash collateral for these securities borrowing and lending transactions is ¥53,772 million at book value.
- (2) The amount of securities in trust established to engage in securities lending transactions for income is ¥2,008,336 million.
Under the securities indenture, the amount of securities lent in securities borrowing and lending transactions with cash collateral is ¥1,386,996 million and the carrying amount of cash collateral for these securities borrowing and lending transactions is ¥1,423,838 million at book value.
On the other hand, the amount of holding securities out of that borrowed in securities borrowing and lending transactions with cash collateral is ¥1,263,866 million at market value.
- (3) Carrying value, market value and risk management policy for policy reserve-matching bonds are as follows:
- (i) The carrying value of policy reserve-matching bonds on the balance sheet is ¥30,152,441 million and the market value is ¥31,154,718 million.
- (ii) Risk management policy for policy reserve-matching bonds is as follows:
Japan Post Insurance has set up sub-categories according to the characteristics of the insurance contracts. The durations of the bonds earmarked for policyholders and those of policy reserves in each subcategories are matched within a fixed range to manage interest rate fluctuation risk. The durations of the policy reserve-matching bonds and the policy reserves in each sub-categories are periodically ascertained.
- (4) Accumulated depreciation on tangible fixed assets is ¥48,450 million.
- (5) Total amount of monetary assets to related parties is ¥91 million and total amount of monetary liabilities to related parties is ¥74,568 million.
- (6) The following shows changes in reserve for policyholders' dividends:

(Millions of yen)

Balance at the end of previous fiscal year	¥2,677,965
Dividend to policyholders paid during the year	¥374,860
Increase due to interest accrued during the year	¥17,765
Decrease due to purchasing additional benefit contracts	¥587
Provision for reserve for policyholders' dividends	¥311,922
Balance at the end of the current fiscal year	¥2,632,205

- (7) In accordance with Article 259 of the Insurance Business Law, the amounts of future contributions to the Life Insurance Policyholders Protection Corporation of Japan are estimated to be ¥5,418 million at the end of the current fiscal year.

The contribution amounts are recognized as operating expenses at the

time of payment.

- (8) Policy reserves (except for the contingency reserve) which related to the reinsurance contracts undertaken by the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, amounted to ¥77,983,715 million. The amount is calculated in accordance with the calculation method prescribed by the Company for the premiums and policy reserves, and thus it exceeds the amount calculated according to the method prescribed in the calculation rule on policy reserves for Postal Life Insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No.101, 2005).

Japan Post Insurance has also booked a contingency reserve of ¥2,826,992 million and a reserve for price fluctuations of ¥401,597 million for these reinsurance contracts.

- (9) "Deposits received from Management Organization for Postal Savings and Postal Life Insurance" as stated on the balance sheet is equivalent to the indemnification and litigation reserve which was previously accounted for by the Management Organization for Postal Savings and Postal Life Insurance and was transferred to Japan Post Insurance at the time of privatization, as stipulated under the insurance business consignment agreement with the Management Organization for Postal Savings and Postal Life Insurance.

4. Notes to Statements of Income

- (1) Revenue from related parties' transactions amounted to ¥14 million, while expenses are ¥7,769 million.
- (2) Gains on sales of securities consisted of ¥56,996 million on sales of Japanese government bonds and other bonds and ¥9,971 million on sales of foreign securities.
- (3) Losses on sales of securities consisted of ¥2,040 million on sales of Japanese government bonds and other bonds and ¥22,924 million on sales of foreign securities.
- (4) Losses on valuation of securities consisted of ¥16,970 million in foreign securities.
- (5) Gains on money held in trust include impairment losses of ¥1,104 million.
- (6) Insurance premiums include premiums of ¥3,954,740 million for accepted reinsurance paid by the Management Organization for Postal Savings and Postal Life Insurance in accordance with an reinsurance contract concluded with Japan Post Insurance.
- (7) Insurance claims include an insurance payment of ¥12,052,079 million to the Management Organization for Postal Savings and Postal Life Insurance under the reinsurance contract concluded with Japan Post Insurance.
- (8) Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, ¥311,922 million is provided for reserve for policyholders' dividends based on the performance of the segment related to reinsurance.

5. Notes to Statements of Changes in Net Assets

- (1) Information concerning type and number of outstanding shares:

(Thousands of shares)

	Number of shares as of the previous fiscal year-end	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares as of the fiscal year-end
Shares issued				
Common stock	20,000	—	—	20,000

- (2) Matters concerning dividends

Dividends paid applicable to the current fiscal year:

Date of resolution	Type of shares	Total amount of shareholder dividends (Millions of yen)	Shareholder dividends per share (Yen)	Record date	Effective date
Board meeting held on May 13, 2010	Common stocks	¥17,531	¥876.58	March 31, 2010	May 14, 2010

6. Notes to Statements of Cash Flows

Relationship between cash and cash equivalents at the end of the period and amounts in categories on the balance sheet:

(Millions of yen)	
Cash and deposits	¥2,046,178
Cash and cash equivalents	¥2,046,178

7. Deferred Tax Assets and Liabilities

Significant components of deferred tax assets and liabilities of Japan Post Insurance as of March 31, 2011 are summarized below:

(Millions of yen)	
Deferred tax assets:	
Policy reserves	¥199,665
Reserve for outstanding claims	65,817
Reserve for price fluctuations	27,277
Reserve for employees' retirement benefits	20,176
Net unrealized gains (losses) on available-for-sale securities	15,783
Accrued enterprise tax	2,267
Deferred consumption tax and other	1,646
Others	6,205
Subtotal	338,839
Valuation allowance	(712)
Total deferred tax assets	¥338,126
Deferred tax liabilities:	
Net unrealized gains (losses) on available-for-sale securities	¥(27,805)
Others	(540)
Total deferred tax liabilities	¥(28,345)

8. Financial Instruments

(1) Financial instruments

(i) Policies in utilizing financial instruments

In our asset management, to maintain sound management and to ensure payments of insurance claims and other benefits, we structure a long-term yen-rate asset portfolio taking into characteristics of liabilities and promote the cash flow matching between assets and liabilities. Also, we address the strengthening of the risk management system, and on the other hand, from the point of view of increasing profitability, we work on investments in yen-denominated assets of local government bonds, corporate bonds and so on, which can be expected to have a relatively higher yield than Japanese government bonds.

We position derivatives as principal hedging instruments for foreign currency risk and interest rate risk associated with operating assets, and we use derivatives only to hedge their risks but don't use them for speculation purposes.

(ii) Financial instruments used and their risks

The financial assets held by Japan Post Insurance are principally securities and loans and these held under ALM. Securities of them are exposed to credit risks with regards to the issue, market fluctuation risks and interest rate risks. Additionally foreign currency-denominated bonds of these securities are exposed to foreign currency risks. Also, we hold loans with variable interest rates and they are exposed to interest rate risks.

Principal derivatives which are used by Japan Post Insurance are foreign currency forward contracts and interest rate swaps. We position these derivatives as principal hedging instruments for foreign currency risk, and interest rate risk and we use derivatives only to hedge their risks but don't use them for speculation purposes. As a result, market-related risks in derivative transactions are offset by the effect of these hedges and their risks are limited.

(iii) Risk management

a. Market risk management

• Market fluctuation risk

Japan Post Insurance sets a policy of investment that is based on stable management by investing in yen-interest assets centering on Japanese government bonds and thereby market fluctuation risks associated with investment to securities except for held-to-maturity and available-for-sale securities are limited. In control of market fluctuation risks, the Risk Management Department calculates and controls the amount of market fluctuation risks with VaR, based on internal rules for control of market risks, and

periodically reports to the Risk Management Committee.

• Foreign currency risk

As described above, we invest mainly among yen-interest assets, and therefore, foreign currency risks for investing in foreign currency-denominated assets are limited. The Risk Management Department calculates and controls the amount of foreign currency risks with VaR, based on internal rules for control of market risks, and periodically reports to the Risk Management Committee. Also, we conduct foreign currency forward contracts at the time of purchase of some foreign currency-denominated bonds and adopt hedge accounting, and accordingly, foreign currency risks for these bonds are avoided.

• Interest rate risk

We reduce interest rate risks by asset management based on ALM. The Risk Management Department calculate and controls the amount of interest rate risks with VaR taking cash flow of liabilities into consideration, based on internal rules for control of market risks, and periodically reports to the Risk Management Committee.

• Derivative transactions

We set up the rule that we use derivatives only to hedge risks but do not use them for speculation purposes. Also we control risks by setting up a credit limit for each counterparty, and when we make a selection of a counterparty, we assign a counterparty able to be judge that it maintain, a good credit rating taking internal rating into consideration. The Risk Management Department calculates and controls amount of market fluctuation risks associated with derivatives and periodically reports to the Risk Management Committee.

b. Credit risk management

We assign an internal rating to each counterparty or individual transaction, based on internal rules for control of credit risks, and we recognize and control credit risks by calculating the amount of credit risks with VaR. In addition, in order to prevent particular companies, business groups and categories of business from having too much credit risks, we control credit risks by setting up credit limits for each company, business group and category of business.

The amount of credit risks is calculated and controlled by the Risk Management Department. On the other hand, internal ratings are assigned and credit risks for each counterparty or individual transaction based on credit limits are controlled by the Credit Department. These management conditions are periodically reported to the Risk Management Committee.

(iv) Supplementary explanation for fair values of financial instruments

We determine the market value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

(2) Fair values of financial instruments

Carrying value on the balance sheet, fair value and differences between carrying value and fair value as of March 31, 2011 are as follows.

(Millions of yen)

	Carrying amount	Fair value	Differences
Cash and deposits:			
Available-for-sale securities	¥ 940,000	¥ 940,000	¥ —
Total cash and deposits	2,046,178	2,046,178	—
Monetary claims bought:			
Available-for-sale securities	40,698	40,698	—
Total monetary claims bought	40,698	40,698	—
Money held in trust:			
Monetary trusts other than trading, held-to-maturity and policy reserve-matching purpose	225,365	225,365	—
Total money held in trust	225,365	225,365	—
Securities:			
Held-to-maturity bonds	41,032,112	42,237,648	1,205,535
Policy reserve-matching bonds	30,152,441	31,154,718	1,002,276
Available-for-sale securities	5,848,509	5,848,509	—
Total securities	77,033,062	79,240,875	2,207,812

Loans:			
Policy loans	10,060	10,060	—
General loans	461,098		
Allowance for doubtful accounts (*1)	(40)		
Total general loans	461,057	475,320	14,262
Loans to Management Organization for Postal Savings and Postal Life Insurance	14,076,339	14,998,939	922,599
Total loans	14,547,458	15,484,321	936,862
Total assets	¥93,892,763	¥97,037,438	¥3,144,675
Payable under securities lending transactions	¥1,477,611	¥1,477,611	¥ —
Total liabilities	¥1,477,611	¥1,477,611	¥ —
Derivative transactions (*2)	¥[1,379]	¥[1,379]	¥ —
Hedge accounting not applied	—	—	—
Hedge accounting applied	[1,379]	[1,379]	—
Total derivative transactions	¥[1,379]	¥[1,379]	¥ —

(*1) Excluding general reserves for possible loan losses related to general loans.

(*2) Credits/debts from derivative transactions are net base. Figures in [] are net debts.

(Note 1) Notes to methods for calculating fair values of financial instruments transactions

• Assets

(1) Cash and deposits

Cash and deposits, which treated as securities based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASB) Statement No.10, is evaluated by similar method to "(4) Securities." As for other cash and deposits without maturity, market value is based on carrying value since market value is close to carrying value. As for cash and deposits with maturity, market value is based on carrying value since time to maturity is short term (within 1 year) and market value is close to carrying value.

(2) Monetary claims bought

Monetary claims bought, which treated as securities based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASB) Statement No.10, is evaluated by a method similar to "(4) Securities."

(Note 2) Scheduled redemptions of principal money held in trust and securities with maturities

(Millions of yen)

	Due within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and deposits with maturities	¥ 940,000	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	30,000	—	—	—	—	10,400
Securities	8,191,580	13,134,632	14,545,030	13,530,835	8,039,064	19,070,447
Held-to-maturity bonds	1,847,100	6,860,345	6,467,791	6,165,311	5,221,515	14,321,600
Policy reserve-matching bonds	4,076,841	5,600,389	7,273,700	6,698,559	2,015,577	4,249,500
Available-for-sale securities with maturities	2,267,638	673,897	803,538	666,963	801,971	499,347
Loans	2,369,536	2,217,480	2,017,012	1,804,918	2,259,182	3,878,716
Total assets	¥ 11,531,116	¥ 15,352,112	¥ 16,562,043	¥ 15,335,753	¥ 10,298,246	¥ 22,959,563

(Note 3) Scheduled maturities of payable under securities lending transactions

(Millions of yen)

	Due within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Payable under securities lending transactions	¥ 1,477,611	¥ —	¥ —	¥ —	¥ —	¥ —
Total liabilities	¥ 1,477,611	¥ —	¥ —	¥ —	¥ —	¥ —

(3) Money held in trust

As for the composition of trust assets in money held in trust, market value is based on market value at the end of the fiscal year (in the case of shares, the average market price over the past one month). As for property which is part of trust assets, market value is based on the carrying value.

Notes pertaining to money held in trust are included in the section "8. Money Held in Trust" by purpose held.

(4) Securities

Market value is based on market value at the end of the fiscal year.

In addition, unlisted shares without a market price are not concluded in securities measured at fair value since it is extremely difficult to recognize these market values. Carrying amount of these unlisted shares without market price as of March 31, 2011 is ¥140,000 million.

Notes pertaining to bonds are included in the section "7. Securities" by purpose held.

(5) Loans

As for policy loans and policy loans for Postal Life Insurance policies included in loans to Management Organization for Postal Savings and Postal Life Insurance, market value is based on carrying value since it is assumed that market value is close to carrying value, due to properties such as the amount of these policy loans is limited within cash surrender values, to short average loan periods and to conditions of interest rates.

As for loans with floating interest rates in general loans, market value is based on carrying value since it is assumed that market value is close to carrying value, due that future cash flow for these loans are reflected by market interest rate over the short term.

As for loans with fixed interest rates in general loans and loans to Management Organization for Postal Savings and Postal Life Insurance (except for policy loans), market value is based on present value discounted future cash flow.

In addition, we have no loans to obligors in failure, substantially failure and danger of failure.

• Liabilities

(1) Payable under securities lending transactions

As for payable under securities lending transactions, market value is based on carrying value since the transaction period is short term (within 1 year) and market value is close to carrying value.

• Derivative Instruments

(1) As for forward exchange rates, market value is based on futures quotation at the end of the fiscal year.

(2) As for interest rate swaps to which the special treatment is applied for interest rate swaps, because these swaps and general loans being hedged are treated as a unit, figures of market value for these swaps are included in one for general loans being hedged.

9. Securities

(1) Trading securities (As of March 31, 2011):

None

(2) Held-to-maturity bonds (As of March 31, 2011):

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Japanese government bonds	¥31,475,874	¥32,532,124	¥1,056,249
Japanese local government bonds	3,603,094	3,755,813	152,718
Japanese corporate bonds	1,750,130	1,843,328	93,197
Foreign securities	59,000	59,389	389
Others	—	—	—
Subtotal	36,888,099	38,190,655	1,302,555
Items with fair value not exceeding carrying amount:			
Japanese government bonds	2,864,728	2,783,975	(80,752)
Japanese local government bonds	1,106,508	1,092,240	(14,268)
Japanese corporate bonds	133,775	131,948	(1,827)
Foreign securities	39,000	38,828	(171)
Others	—	—	—
Subtotal	4,144,012	4,046,992	(97,019)
Total	¥41,032,112	¥42,237,648	¥1,205,535

(3) Policy reserve-matching bonds (As of March 31, 2011):

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Japanese government bonds	¥25,823,355	¥26,792,258	¥ 968,903
Japanese local government bonds	1,369,290	1,410,634	41,344
Japanese corporate bonds	1,111,490	1,131,658	20,167
Foreign securities	—	—	—
Others	—	—	—
Subtotal	28,304,135	29,334,551	1,030,415
Items with fair value not exceeding carrying amount:			
Japanese government bonds	1,848,305	1,820,166	(28,138)
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Foreign securities	—	—	—
Others	—	—	—
Subtotal	1,848,305	1,820,166	(28,138)
Total	¥30,152,441	¥31,154,718	¥1,002,276

(4) Investments in subsidiaries and affiliates (As of March 31, 2011):

None

(5) Available-for-sale securities (As of March 31, 2011):

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Stocks	¥ —	¥ —	¥ —
Corporate and government bonds			
Japanese government bonds	1,387,426	1,390,868	3,442

Japanese local government bonds	36,334	36,378	44
Japanese corporate bonds	2,289,057	2,355,988	66,931
Subtotal	3,712,817	3,783,235	70,417
Foreign securities	76,067	77,987	1,920
Others (*1)	8,100	8,406	306
Total	3,796,984	3,869,628	72,643
Items with fair value not exceeding carrying amount:			
Stocks	—	—	—
Corporate and government bonds			
Japanese government bonds	699,957	699,904	(53)
Japanese local government bonds	140,662	140,528	(133)
Japanese corporate bonds	748,820	739,138	(9,681)
Subtotal	1,589,440	1,579,571	(9,868)
Foreign securities	433,279	407,714	(25,564)
Others (*1)	972,300	972,291	(8)
Total	2,995,019	2,959,578	(35,440)
Grand total	¥6,792,004	¥6,829,207	¥37,202

(*1) "Others" contains securities treated as "securities" based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No.10).

(*2) Impairment losses for available for-sale-securities amounted to ¥16,970 million.

(6) Held-to-maturity bonds sold during the fiscal year (From April 1, 2010 to March 31, 2011):

None

(7) Policy reserve-matching bonds sold during the fiscal year (From April 1, 2010 to March 31, 2011):

(Millions of yen)

	Proceeds from sale	Total profits on sale	Total losses on sale
Japanese government bonds	¥2,153,670	¥55,458	¥2,033
Total	¥2,153,670	¥55,458	¥2,033

(8) Available-for-sale securities sold during the fiscal year (From April 1, 2010 to March 31, 2011):

(Millions of yen)

	Proceeds from sale	Total profits on sale	Total losses on sale
Corporate and government bonds			
Japanese government bonds	¥247,532	¥ 1,538	¥ 6
Subtotal	247,532	1,538	6
Foreign securities	194,558	9,971	22,924
Total	¥442,090	¥11,510	¥22,931

(9) Reclassified securities (From April 1, 2010 to March 31, 2011)

None

10. Money Held in Trust

(1) Money held in trust for trading purposes (As of March 31, 2011):

None

(2) Money held in trust classified as held-to-maturity and policy reserves (As of March 31, 2011):

None

(3) Other money held in trust (As of March 31, 2011):

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference	Amounts that balance sheet amount was more than acquisition cost of the difference	Amounts that balance sheet amount was not more than acquisition cost of the difference
Other money held in trust	¥229,367	¥225,365	¥(4,001)	¥ 4,145	¥ 8,147

Note: Impairment losses on other money held in trust amounted to ¥1,104 million.

The losses on domestic equities composed of those are considered impaired if the average market rate during the month prior to the fiscal year-end declines by 30% or above.

11. Reserve for Employees' Retirement Benefits

(1) Overview of employees' retirement benefit plan

Japan Post Insurance has established and maintains a benefit plan consisting of retirement lump sum grants.

(2) Funding status of employees' retirement benefits of the Company

(Millions of yen)

	As of March 31, 2011
Projected benefit obligations	¥(52,827)
Unfunded benefit obligations	(52,827)
Unrecognized actuarial differences	(2,894)
Net amount recognized on the non-consolidated balance sheet	(55,721)
Reserve for employees' retirement benefits	¥(55,721)

(3) Retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2011
Service cost	¥3,113
Interest cost	917
Amortization of unrecognized actuarial differences	(28)
Retirement benefit expenses	¥4,002

(4) Assumptions

	As of March 31, 2011
Method of periodic allocation of benefit obligations	straight-line method
Discount rate	1.7%
Amortization period for actuarial differences	14 years

12. Per Share Information

(Yen)

	Fiscal year ended March 31, 2011
Net assets per share	¥60,384.51
Net income per share	¥ 3,863.81

Note: Net income per share after adjustment for potential effect is not presented as no potential securities exist.

13. Subsequent Events

There were no significant subsequent events for the year ended March 31, 2011.

Data Compilation

Others

CONTENTS

1. Business Hours and Points of Contact for Inquiries

- 1. Business Hours..... 196
- 2. Points of Contact for Inquiries 197
- 3. Online Inquiries 199

2. Japan Post Group Privacy Policy

- 1. Japan Post Group Privacy Policy 200
- 2. Sharing of Personal Data among Japan Post Group Companies 201

3. Japan Post Group Conflicts of Interest Management Policy

- Details of policy 202

4. Japan Post Group Information Security Declaration

- Japan Post Group Information Security Declaration 202

1. Business Hours and Points of Contact for Inquiries

1

Business Hours

1. Japan Post Network (Post Offices)

■ Post Office Business Hours

Days of the week	Mail services	Deposit services	Insurance services
Monday through Friday	9:00 to 17:00 (Some offices are open until 19:00)	9:00 to 16:00 (Some offices are open until 18:00)	9:00 to 16:00 (Some offices are open until 18:00)
Saturday	Closed (Some offices are open from 9:00 to 15:00 or 9:00 to 17:00)	Closed	Closed
Sunday and holidays	Closed (Some offices are open from 9:00 to 12:30)	Closed	Closed

Notes: 1. Hours of certain offices may differ from the above because of their location or other factors.

2. Offices are closed from December 31 through January 3; however, only mail services are available during this period at some offices.

2. Japan Post Service

■ Yu-Yu Window (After hours service window)

Branches of Japan Post Service provide access to mail returned because of the absence of the recipient from his/her home and offer services after normal post office hours that include accepting regular mail, Yu-Pack parcel post and certain other items and sell-

ing postal stamps, revenue stamps and certain other items.

Please confirm the service hours of individual branches via our website (<http://www.post.japanpost.jp/index.html>) (Japanese only).

3. Japan Post Bank

■ Service Hours

Days of the week	Hours services are available
Monday through Friday	9:00 to 16:00 (Some offices are open until 18:00)
Saturday, Sunday and holidays	Closed

Notes: 1. Service hours of some offices may differ from those listed above.

2. Offices are closed from December 31 to January 3.

■ ATM Service Hours

Service hours of ATMs are set individually according to their location but the typical hours when ATM services are available are shown in the table below.

For the service hours of individual ATMs, check the information posted at the respective ATMs or "Branches and ATM Information"

on the Japan Post Bank website (http://www.jp-bank.japanpost.jp/access/access_index.html) (Japanese only) or "Search Post Offices and ATMs" via the Japan Post Holdings website (<http://map.japanpost.jp/pc>) (Japanese only).

Days of the week	Japan Post Bank branches	Post offices (Japan Post Bank agents)	Sub-branches (Installation outside store in station and supermarket, etc.)
Monday through Friday	8:00 to 21:00 (7:00 to 23:00 at some branches)	9:00 to 17:30 (7:00 to 23:00 at some post offices)	9:00 to 19:00 (7:00 to 23:00 at some sub-branches)
Saturday	9:00 to 19:00 (9:00 to 21:00 at some branches)	9:00 to 12:30 (9:00 to 21:00 at some post offices)	9:00 to 17:00 (8:00 to 23:00 at some sub-branches)
Sunday and holidays (Including January 2 and 3)	9:00 to 19:00	9:00 to 17:00 (Service at approx. 6,300 post offices; 9:00 to 19:00 at some post offices)	9:00 to 17:00 (8:00 to 21:00 at some sub-branches)

Notes: 1. The service hours listed above are typical ATM operating hours, but actual hours may differ by ATM.

2. Certain ATMs are not available for service on Saturday, Sunday and holidays.

3. Sub-branches (installation in stations, supermarkets and other locations outside of post offices) do not handle coins or ordinary payments.

4. The following services are not available via ATMs on (a) Monday through Friday before 7:00 and after 21:00, and (b) before 9:00 and after 17:00 on Saturday, Sunday and holidays: ordinary deposits, *TEIGAKU* deposits, time deposits, coin withdrawals and fund transfers.

5. Transfers (making remittances to other financial institutions) for which applications are accepted after 15:00 from Monday to Friday and/or for those accepted on Saturday, Sunday and holidays (including January 2, 3 and December 31) will be handled on the following business day.

6. Certain ATM and cash dispenser (CD) services are not available at the ATMs and CDs of affiliated financial institutions at certain times.

7. The Japan Post Group is currently conducting trials of 24-hour ATM services at 16 locations nationwide.

8. The commission charged by affiliated financial institutions for using their cash card in Japan Post Bank ATMs differs according to the institution. Please inquire to the specific affiliated financial institution.

4. Japan Post Insurance

Insurance services are available at the insurance counters of post offices.

2

Points of Contact for Inquiries

1. For Information and Advice Related to Japan Post Group

■ Customer Service Consulting Center

For inquiries please call the following toll-free phone number: 0120-23-28-86. Follow the Interactive Voice Response (IVR) guide to be connected to the appropriate call center.

Telephone number	Select	Name	Business hours
Toll-free phone number: 0120-23-28-86 (Japanese only)	[*]+[1]	Japan Post Service Customer Service Consulting Center	Weekdays: 8:00 to 22:00 Saturday, Sunday and holidays: 9:00 to 22:00
	[*]+[2]→1	Japan Post Bank Call Center	Weekdays: 8:30 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)
	[*]+[2]→2	Japan Post Bank Card Loss Center	Available 24-hours, all year round
	[*]+[3]→1	Japan Post Insurance Call Center	Weekdays: 9:00 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Excluding January 1 to January 3)
	[*]+[3]→2	Japan Post Insurance Card Loss Center	Weekdays: 8:30 to 21:00 (Excluding Saturdays, Sundays and holidays, and December 31 to January 3)
	[*]+[4]	Japan Post Network Customer Service Consulting Center	Weekdays: 9:00 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)

Customers using mobile phones can make inquiries and receive advice concerning postal services and post offices via the following number.

0570-046-666

(Communications charge must be paid by the customer.)

For those who wish to use English, please dial the following number.

0570-046-111

(Communications charge must be paid by the customer.)

(Calls cannot be made from overseas.)

Notes: 1. If it is not possible to confirm the identity of the person speaking on the telephone, it may not be possible to give a detailed response to a particular inquiry.
2. In order to improve service and manage operations, effective calls to the Customer Service Consulting Center are recorded.

2. For Information and Advice Related to Japan Post Bank

* Unless otherwise noted, telephone numbers are available toll-free using mobile and Personal Handyphone System (PHS) phones. There are certain cases where Internet Protocol (IP) phones and other equipment cannot be used.

■ Card Loss Center

A toll-free phone number is exclusively available for notification regarding loss or stolen bankbooks (certificates) or cash cards.

Notifications can be also reported at the nearest Japan Post Bank Co., Ltd. or Japan Post Network Co., Ltd. deposit service counter.

■ Japan Post Bank Call Center

Contact the following number for inquiries and consultation regarding products and services.

■ 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)

■ Defined Contribution Pension Call Center

Material requests and inquiries regarding enrollment of defined contribution pensions (individual annuities) can be made via the following number.

■ 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.

■ English-Language Information Services

For those who wish to make inquiries in English regarding the products and services of Japan Post Bank, please call the following number during the hours indicated.

■ Designated Dispute Resolution Institution

Japan Post Bank has formed a contract with the Japanese Bankers Association Counseling Office as a designated dispute resolution institution.

Service hours	Telephone number
Available 24 hours all year round	0120-794889 (Japanese only) Calls from overseas: +81-45-345-1101 (Communication charges required) (Japanese only)

Service hours	Telephone number
Weekdays: 8:30 to 21:00	0120-108420 (Japanese only)
Saturday, Sunday and holidays: 9:00 to 17:00	

Note: Service is available from 9:00 to 17:00 during the period from December 31 to January 3.

Service hours	Telephone number
9:00 to 18:00	0800-800-4104 (Japanese only)

Note: Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.

Service hours	Telephone number
9:00 to 21:00	0120-401034 (Japanese only) Alternative phone number when the number above is not available: 044-753-5835 (Communication charges required) (Japanese only)

Note: Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.

Service hours	Telephone number
Available 24 hours all year round	0120-253811 (Japanese only)

Service hours	Telephone number
8:30 to 18:00	0120-085420

Notes: 1. Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.

2. Calls to this number cannot be made from mobile phones, PHS, IP or certain other types of devices.

Service hours	Telephone number
9:00 to 17:00	0570-017109 or 03-5252-3772

Notes: 1. Excluding Saturday, Sunday, holidays and the period from December 31 to January 3.

2. For details, please visit the Japanese Bankers Association Counseling Office website at (<http://www.zenginkyo.or.jp/adr/>).

3. For Information and Advice Related to Japan Post Insurance

■ Japan Post Insurance Call Center

Japan Post Insurance Call Center responds to general inquiries including insurance products and premium rates. For inquiries regarding individual contracts such as status of respective insurance payment after application submittal, calls are forwarded to the service center in charge and staff at the respective center will address such matters.

Service hours	Telephone number
Weekdays: 9:00 to 21:00	0120-552950 (Japanese only)
Saturday, Sunday and holidays: 9:00 to 17:00	

Notes: 1. Excluding the period from January 1 to January 3.

2. The Japan Post Insurance Call Center responds to general inquiries including insurance products and premiums.

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.

The Japan Post Group began with the October 2007 privatization of Japan's postal system. Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

(1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

(2) Scope of parties involved in shared use

Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

Japan Post Holdings Co., Ltd.; Japan Post Network Co., Ltd.; Japan Post Service Co., Ltd.; Japan Post Bank Co., Ltd.; Japan Post Insurance Co., Ltd.

(3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data

Japan Post Holdings Co., Ltd.

(5) Other items

- 1) Customer data from pre-privatization postal insurance policy contracts will be used for insurance sales activities only after receiving the prior consent of the applicable customers.
- 2) Prior consent of the applicable customers will be received before using data on savings transactions (private financial information) for insurance sales activities and before using data on transactions (private financial information) involving life insurance policies (including postal insurance) to sell savings products.

3. Japan Post Group Conflicts of Interest Management Policy

Details of policy

The Japan Post Group (“the Group”) conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following companies in the Japan Post Group (“Group companies”) fall within the scope of the Conflicts of Interest Management Policy

- Japan Post Bank
- Japan Post Insurance
- Japan Post Network

2. The Group will manage conflicts of interest for the transactions stipulated below.

(1) Transactions that may unduly impair the interests of customers among the following transactions:

- Transaction with a customer that has an interest in one of the Group companies based on an agreement
- Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
- Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement

(2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:

- (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
- (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
- (3) Discontinue the target transaction or the secondary transaction with the customer
- (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests

4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.

5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

4. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings, Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance as the Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for customers to use our services with confidence. Our activities reflect

this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. We will establish a basic policy regarding information security for the Japan Post Group and follow this policy for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

Guide to Websites of the Japan Post Group Announcement of Financial Results



<http://www.japanpost.jp/>



<http://www.jp-network.japanpost.jp/>



<http://www.post.japanpost.jp/>



<http://www.jp-bank.japanpost.jp/>



<http://www.jp-life.japanpost.jp/>



<http://www.japanpost.jp/financial/index02.html>

Announcement of Financial Results

Japan Post Group Annual Report 2011 July 2011

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/>

