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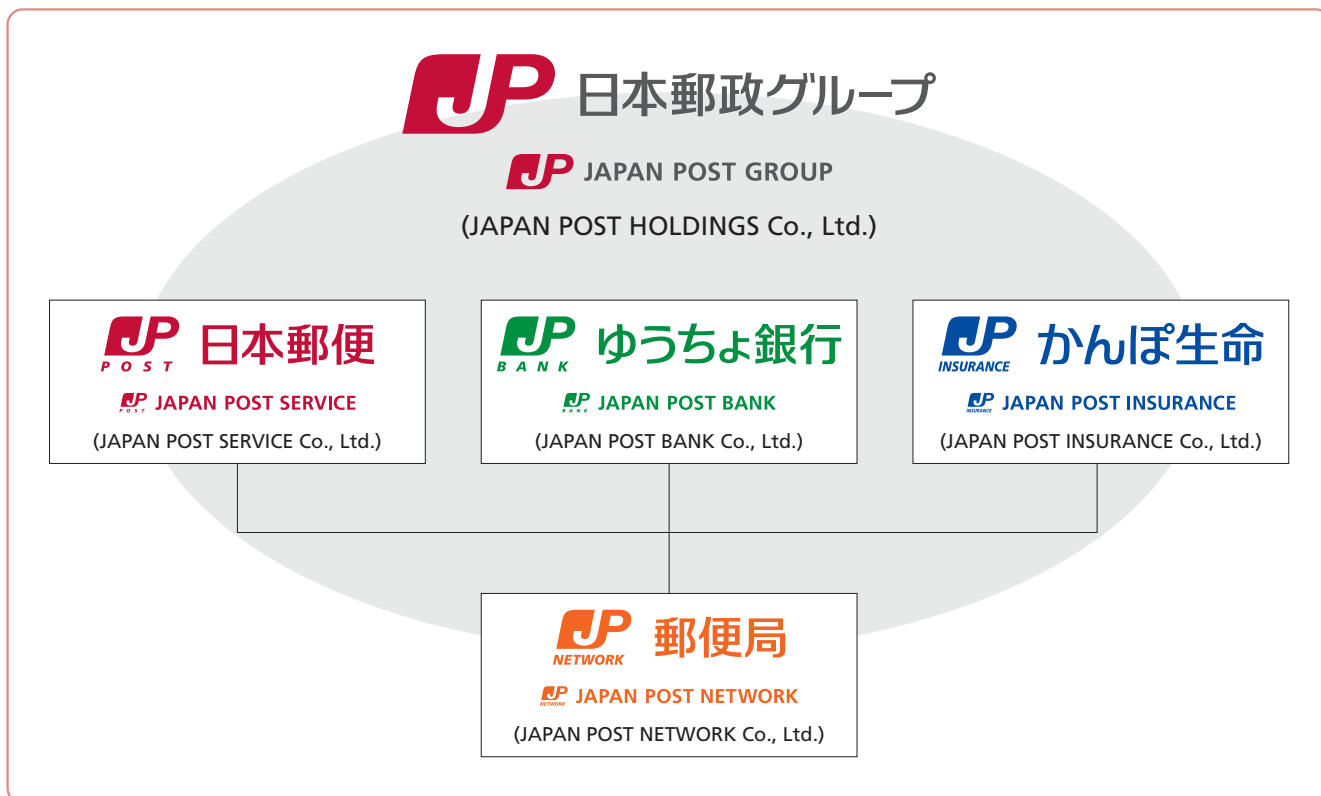
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1. The Operations of the Japan Post Group

1 Group Business Profile

The Japan Post Group provides “universal services” that are vital to the daily activities of people in every part of Japan, through its nationwide network of post offices.



JAPAN POST NETWORK

Japan Post Network provides reliable services in three business fields—postal, banking, and insurance services—by using its extensive network of post offices serving every area of Japan.

JAPAN POST SERVICE

Japan Post Service aims to create a “network that sincerely connects people, corporations, and society” by providing communications that enable the public to enjoy secure, certain, and speedy communications and logistics functions.

JAPAN POST BANK

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 its customers.

JAPAN POST INSURANCE

Japan Post Insurance aims to move forward with its customers while serving as “Japan’s most convenient and trusted insurance company.”

2 Japan Post Holdings Profile

Japan Post Holdings takes full advantage of the greater freedom of operations afforded Japan Post Network, Japan Post Service, Japan Post Bank, and Japan Post Insurance as a result of Japan Post's privatization. In addition, the company makes the investments needed to meet the many demanding requirements of operating as a private-sector organization, including strengthening internal controls, establishing strict compliance programs, and improving operating efficiency. By taking these

actions, Japan Post Holdings is committed to playing its role as a holding company to maximize the value of the entire Japan Post Group. Moreover, by centralizing administrative tasks common to all group companies, Japan Post Holdings is making the operations of the entire group more efficient. The holding company is also responsible for operating Japan Post Teishin hospitals and other facilities.

3 Business Alliance

Comprehensive Alliance with LAWSON

Japan Post Holdings and LAWSON INC. agreed in February 2008 to establish a comprehensive alliance. In 2002, Japan Post and LAWSON formed an alliance in which post boxes were placed at all LAWSON convenience stores. Furthermore, LAWSON opened stores (POSTAL LAWSON stores) at selected post offices.

With this new comprehensive alliance, Japan Post Holdings and LAWSON will cooperate to use their respective resources effectively for the purposes of offering customers greater convenience, contributing to society, and improving earnings.

To accomplish this, the two companies are taking the following actions.

- (1) Measures to improve customer convenience and strengthen the post office network through the mutual use of the infrastructures and service networks of the Japan Post Group and LAWSON:
 - a. Build a new business model for the provision of products and services at post offices
 - b. Support the post office operations of contracted post offices using the products, services, and other functions of LAWSON
 - c. Open more stores and joint LAWSON post office locations using the real estate of both alliance partners
 - d. Proceed with consideration by both parties of the offering, subcontracting, and joint development of products, services, etc.

- (2) Consider ways to improve operating efficiency of both alliance partners, including joint activities concerning store and post office operations, purchasing (joint procurement of gifts and other products and services), logistics (joint deliveries), finance, and personnel affairs

- (3) Use experience in improving quality and volume of Yu-Pack service for actions by both alliance partners aimed at further gains in service quality and Yu-Pack volume



2. The Operations of Japan Post Network

1 Profile of Operations

1. Post Office Network

Japan Post Network operates 24,540 post offices in Japan (as of March 31, 2008, including locations temporarily closed). This network covers virtually every community in Japan. In fact, there are so many that the dots for these post offices create the shape of the entire Japanese archipelago. Over the years, the Japanese public has come to greatly appreciate this extensive nationwide network with deep local roots.

Even following privatization, Japan Post Network is required by the Japan Post Network Act to maintain and operate a nationwide network of post offices.

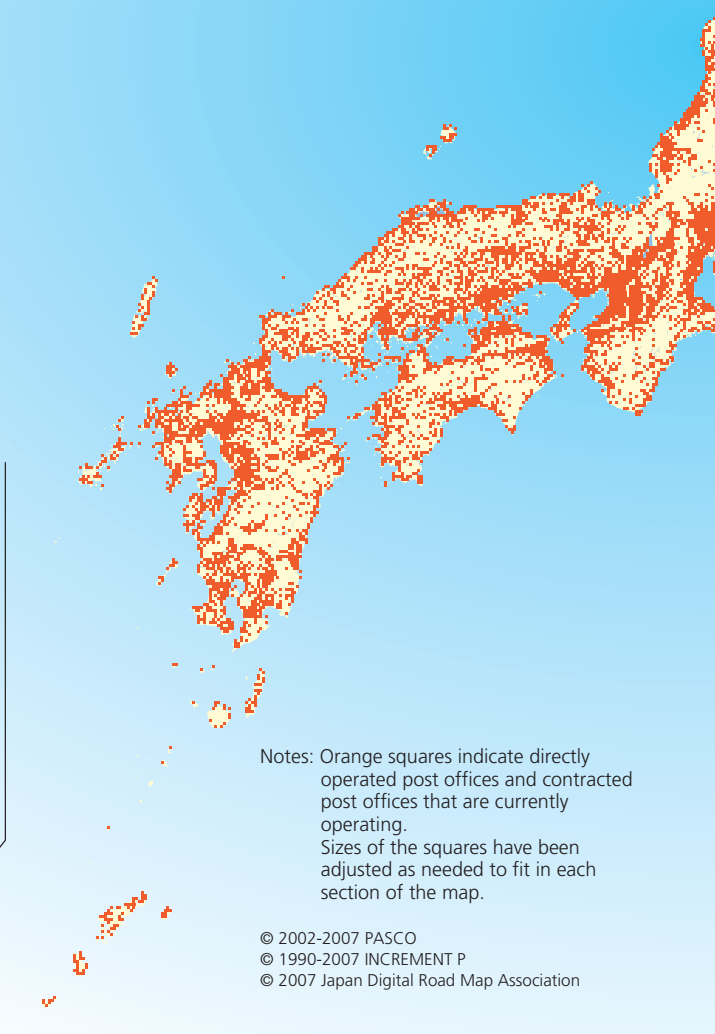
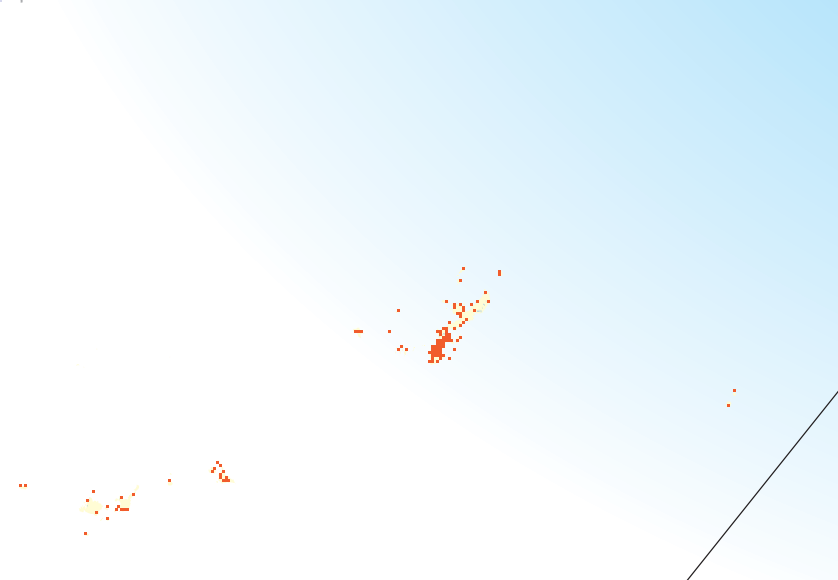
To fulfill this obligation, we view our most important mission as maintaining the post office network at its current level while complying with all applicable laws and regulations.

We will continue to take the actions needed to preserve the current post office network. We are committed to operating post offices that can continue to progress along with the residents of the communities we serve.

■ Post Offices in Japan

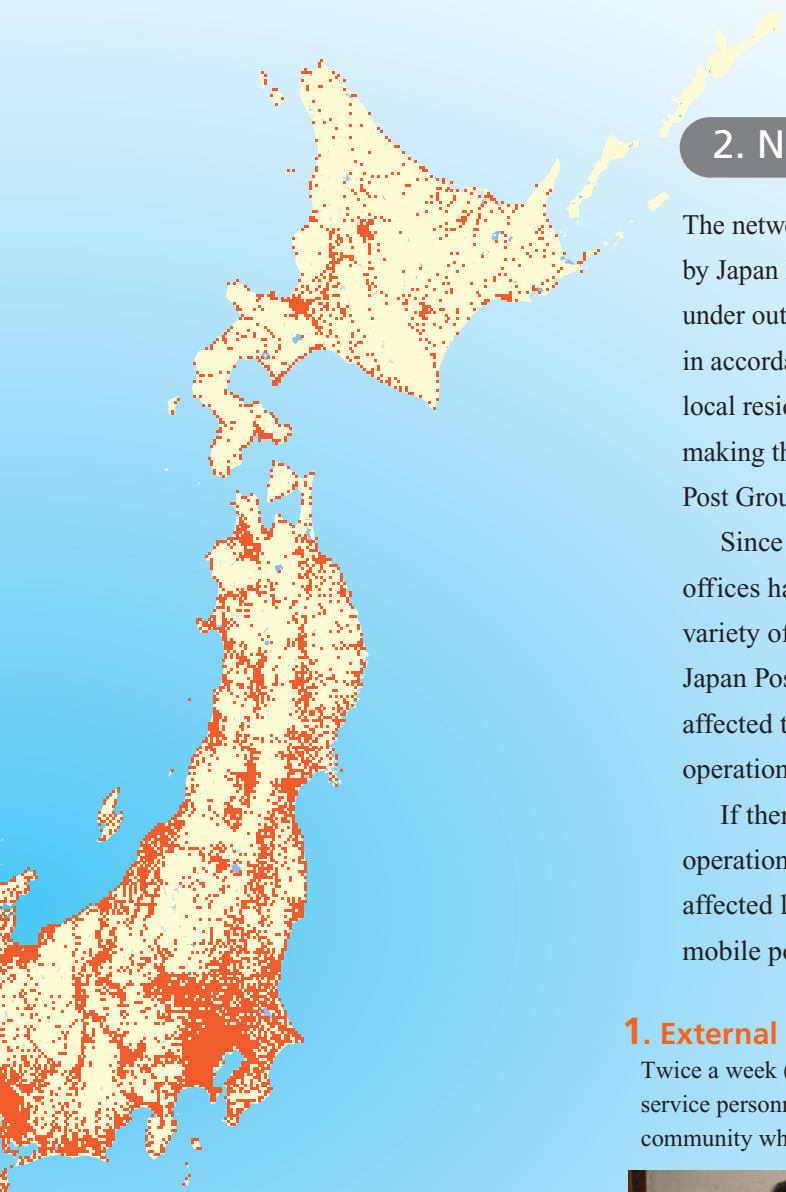
| | |
|--|---------------|
| Directly operated post offices (including branch offices) | 20,243 |
| Contracted post offices | 4,297 |
| Total | 24,540 |

Note: Includes nine post offices and 438 contracted post offices that are temporarily closed.



Notes: Orange squares indicate directly operated post offices and contracted post offices that are currently operating. Sizes of the squares have been adjusted as needed to fit in each section of the map.

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2. New Contracted Post Offices

The network of post offices includes post offices directly operated by Japan Post Network and contracted post offices that operate under outsourcing agreements. Contracted post offices are operated in accordance with agreements between Japan Post Network and local residents throughout Japan, and they play an important role in making the postal, banking, and insurance services of the Japan Post Group available in every part of the country.

Since the privatization, some operators of contracted post offices have been unable to continue providing services for a variety of reasons, causing temporary closure. In these cases, Japan Post Network works with members of the community affected to quickly locate a partner that can resume postal agency operations.

If there are no prospects for the prompt resumption of operations, we maintain the postal service network by serving the affected locality with external sales and service personnel and mobile post offices.

1. External Sales and Service Personnel

Twice a week (half-day each), a nearby post office sends external sales and service personnel to provide services at a public facility or other location in a community where a contracted post office has been shut down.



- **Operations**
- Sale of stamps, postcards, and other postal items
- Deposits and withdrawals, payments, and other banking services

2. Mobile Post Offices (Poskuru)

Mobile post offices visit communities where a contracted post office is temporarily closed to provide various services.



- **Operations**
- Post office counter services (excluding some services, such as Letax services)
- Deposits and withdrawals using an ATM

3. Service Network Diversity

Japan Post Network operates a diverse network of service locations in order to offer the greatest possible convenience to its customers.

For example, we combine post offices with convenience stores and locate post offices in shopping malls. This allows customers to do their shopping and post office chores at a single location. Some post offices are located at government offices

and agencies so that postal services can be offered along with government services.

We are making our services even more convenient for customers by operating post offices that match the characteristics of each area served.



■ A post office with adjacent LAWSON convenience store in Fukuoka Prefecture (Kokurakiyomizu Post Office)



■ A post office located inside a municipal government center in Kagawa Prefecture (Kotonami Post Office)

4. Working with Local Governments

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

(As of March 31, 2008)

| Services | Prefectures | Municipalities | Post offices |
|---|-------------|----------------|--------------|
| 1. Official certification documents | 0 | 145 | 551 |
| 2. Other services | 1 | 119 | 3,534 |
| (1) Sales | 0 | 113 | 1,545 |
| a. Multiple-ride bus tickets | 0 | 28 | 269 |
| b. Trash collection certificates | 0 | 34 | 781 |
| c. Sewage treatment certificates | 0 | 7 | 32 |
| d. Tickets to events | 0 | 25 | 224 |
| e. Merchandise certificates | 0 | 0 | 0 |
| f. Trash collection bags | 0 | 54 | 388 |
| (2) Distribution services (issuance of bus tickets, etc.) | 0 | 10 | 1,753 |
| (3) Receipt of application forms for using services | 1 | 1 | 1,238 |
| 3. Provision of replacement supplies for automatic document dispensing machines | 0 | 1 | 1 |
| Total | 1 | 239 | 4,037 |

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

2 Products and Services

1. Expanding *Furusato* Parcel Business to Catalog Sales

Post offices have been conducting a business in which customers order merchandise that is later delivered by mail. Called the *furusato* (“hometown”) parcel business, this operation was

started as one way to increase Yu-Pack sales. We have decided to expand the existing business model to offer even better merchandise by adopting the standpoint of our customers.

(1) *Furusato* parcel

The *furusato* parcel business allows customers to order famous local products from all regions of Japan and receive the products directly from the suppliers. The service is ideally suited for gifts and souvenirs. Customers can ask for gift wrapping for summer, New Year’s, or other types of gifts.

■ Orders placed at post offices

Customers can place an order at a post office by using catalogs and other publications. Post office personnel will provide more information as needed.

■ Orders placed using the Internet

Customers can also submit orders directly using the *furusato* parcel Web site.



(2) Post office gifts

Post offices offer the following two types of gifts.

a. Post office gift selection

Recipients of gifts can select an item from the catalog they receive by mail. This gift-giving system is ideal for weddings, the birth of a child, recovery from an illness, funerals, summer and New Year’s greetings, and other occasions.

b. Post office gifts from department stores

Post offices nationwide sell quality food and household products from the merchandise lineup of the well-known department store Mitsukoshi. Gifts are delivered wrapped in Mitsukoshi wrapping paper.

■ Advantages of Post Office Gift Selection

- Easy gift giving even without knowledge of the recipient’s preferences
Gift recipients can choose from a variety of selected items in catalogs, including food, household goods, and other products, a total of 2,400 items.
- Gift wrapping appropriate for the occasion
We can deliver gifts with wrapping for weddings, funerals, and other events. We can also include the recipient’s name.
- Six gift catalog categories to match all budgets
Individuals giving gifts can select one of six catalogs depending on the budget. Samples of all six catalogs are available at all post offices.



■ Advantages of Department Store Gift Selection

- Nationwide free delivery using Yu-Pack
Gifts are delivered throughout Japan using the high-quality and reliable Yu-Pack service.
- Catalogs include a full range of gifts for such occasions as a wedding, childbirth, entrance into school, and recovery from illness.
- Catalogs available at post offices
Customers can pick up a catalog at a post office and place orders at any post office.
- Mitsukoshi wrapping paper
Gifts are delivered wrapped in Mitsukoshi wrapping paper. More information about wrapping and delivery can be obtained at any post office or from sales personnel.



2. Limited Sale of Frame Stamps

In response to requests from customers to sell stamps that use photographs, we started selling frame stamps. These stamps, which are available for only limited periods, have become very popular. We plan to introduce more of these stamps that will be available for specific periods and in specific regions of Japan.



Daisuke Matsuzaka Major League Baseball first year and World Series championship commemorative frame stamps



"You Say YAZAWA" frame stamps of Eikichi Yazawa

3. Major League Opening Game Postcards with Carrying Straps

To commemorate the opening game in Japan of Major League Baseball's 2008 season, we sold five sets of postcards featuring specially selected pictures of Japanese players on major league teams. Postcards come with carrying straps that look like the players' uniforms.

We will continue to develop and sell original post office products that meet the requests of large numbers of customers.



Ichiro Suzuki postcards



Hideki Matsui postcards



Daisuke Matsuzaka postcards

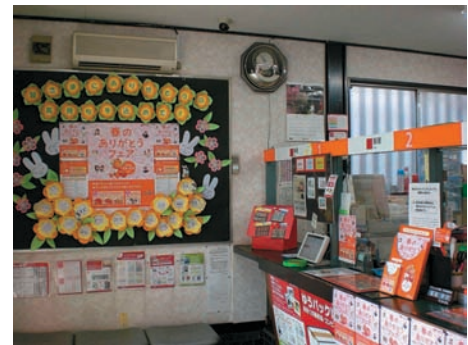


3 Topics

1. Spring Customer Appreciation Fair

Post offices nationwide and branch offices of Japan Post Group companies conducted a “Spring Customer Appreciation Fair” from March 3 to 31, 2008. Customers buying eligible products and services during this period participated in a draw to receive gourmet food items and gifts from catalogs.

The fair was one way to raise awareness of the convenience of post offices, which offer the postal, banking, and insurance services of the Japan Post Group companies in a single location. The fair also communicated the desire to make post offices a “store” for customers and expressed our gratitude for their patronage. We promoted the fair with signs and banners inside and outside post offices and publications. The response was strong: we received about 2.05 million entries for the draw during the campaign period.



■ Post office counters displayed this eye-catching summary of the Spring Customer Appreciation Fair



■ Colorful Customer Appreciation Fair decorations greet customers at post offices

2. New Year's Postcard Printing Service

We started selling our New Year's postcard printing service through catalogs on October 15, 2007. This allows customers to submit a single application for the purchase of New Year's postcards, custom printing of the cards, and home delivery of the printed cards.

In the Tokai region, a design commemorating the Nagoya Chunichi Dragons baseball team's Japan Series victory was extremely popular.

We plan to continue offering creative New Year's card designs that match our customers' needs.



3. Sale of Movie Tickets for *Postman*

As a trial activity for Japan Post Network, we started selling movie tickets at post office counters. On November 19, 2007, we began selling advance tickets nationwide for the Japanese movie *Postman*, which debuted on March 22, 2008.



4. Start of Variable Annuity Sales (May 2008)

Variable annuity sales began in May 2008 at 79 post offices throughout Japan. Post offices offer a simple and easy-to-understand lineup of policies in order to match the retirement needs of people in different age groups.

Variable annuity policies

(a) Fixed-period type

- *Tanoshimi YOU* (Underwriter: Sumitomo Life Insurance)
This is a simple policy that invests a lump-sum premium in the special account during the fixed period, which is at least 10 years. At the end of this period, the policyholder can receive a pension or a single payment.
- Three-Step Annuity (Underwriter: ING Life Insurance)
This product combines three functions: to increase policy value, to protect policy value, and to receive payments such that the Step-Up Base Amount is the minimum guaranteed for the annuity capital at the maturity of the fixed period (10 years or more).



(b) Early payment type

- *Shiawase Teikibin*, or “Happiness Annuity” (Underwriter: Mitsui Sumitomo MetLife Insurance)
Policyholders are eligible to begin receiving lifetime annuity payments anytime on or after the first anniversary of the purchase date. The insurer guarantees the annuity payments will continue until the death of the insured, even if the policy’s account value falls to zero due to withdrawals or market fluctuations.



(c) Accumulation type

- Yu-Yu Accumulation-Type VA (Underwriter: ALICO Japan)
“Yu-Yu Accumulation-Type VA” is an innovative VA product which is “easy to start” for customers. The concepts of this product are:
—Single premium with regular premium payments of a minimum period of 10 years
—Principal guaranteed

5. Advertising Business

Japan Post Network started an advertising business in April 2008 to generate income from unused space at post offices. One source of revenue is the placement of advertisers' pamphlets in post office lobbies. We plan to expand this business by providing space for advertising events and other marketing activities in order to create another source of earnings.

(1) Post office counter and lobby advertising

Currently, the primary advertising activity involves the use of extra space at post office counters and lobbies for the placement of advertisers' pamphlets. In the next step, we plan to set up pamphlet racks and poster boards at large post offices for advertising activities.

(2) Distribution of sample products

We plan to start a service in which post office personnel distribute an advertiser's sample products at service counters.

(3) Indoor and outdoor advertising

We offer advertisers the use of space inside and outside post offices for large signs, banners, events, and other promotional activities. This includes the sale of exterior wall space for signs targeting highway traffic and pedestrians.

■ Asahi Soft Drinks Makes Full Use of Japan Post Marketing Media

From May 26 through May 28, 2008, Asahi Soft Drinks Co., Ltd., implemented a promotional event for its Mitsuya Cider product at the Yokohama Central Post Office.

In addition to displaying posters in the office's main service counter area and hanging a large banner on the exterior of the office building, Asahi Soft Drinks organized product sampling events in front of the building. In these ways, Asahi Soft Drinks made full use of the post office's interior and exterior media potential, the first such comprehensive facility utilization initiative in Japan Post Network's advertising business development program.

6. Shared Beverage Vending Machines at Post Offices

In March 2004, post offices started installing shared beverage vending machines in lobbies and other locations. The machines stock the products of several manufacturers.

■ Highlights of Shared Beverage Vending Machines

- Sells products of many companies to meet a diverse range of customer preferences
- Original designs in five colors based on traditional Japanese colors
- Incorporates sophisticated energy-conservation technology to protect the environment
- Machines have a display panel for post office announcements and other information



4 Listening to Customers

Japan Post Network regards customers' suggestions, ideas, and other feedback as a valuable management resource. Japan Post Network uses comments from customers for the constant review of services. Continuously working on improvements in customer satisfaction is one of our most important tasks.

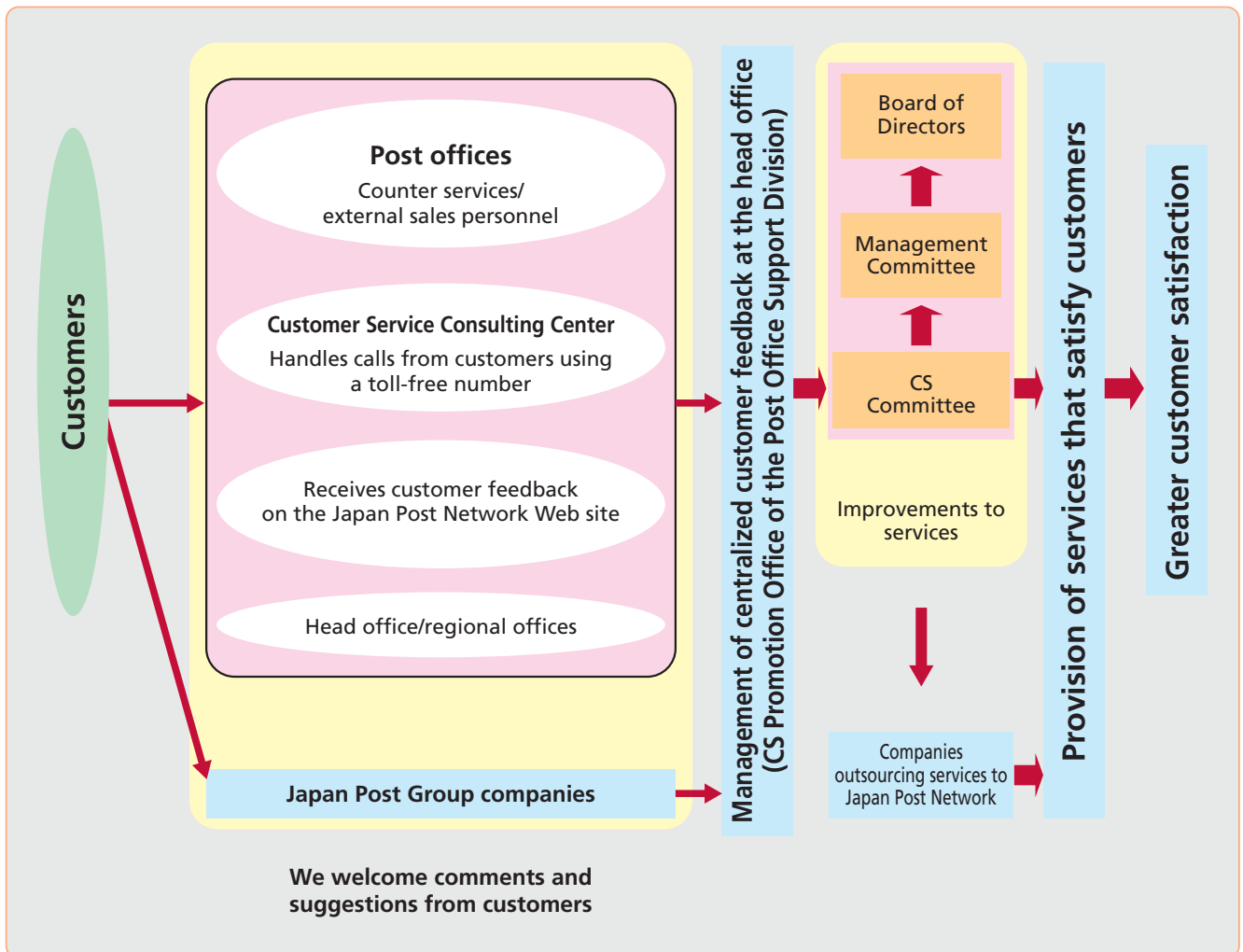
We use customer feedback to improve and develop products and services. By having all executives and employees listen to what customers are saying and then act accordingly, we can continue to operate in a sound and appropriate manner.

1. Using Customer Feedback to Improve Customer Satisfaction

All feedback from customers is aggregated by the CS Promotion Office of the Post Office Support Division at the head office and then analyzed to identify issues. This leads to improvements in

Japan Post Group services, the development of new services, and other actions that contribute to customer satisfaction (CS).

Structure for Improving Services



2. Customer Contact Information

Contact: Customer Service Consulting Center

*For assistance in English, please use the following number:

Telephone: 0570-046-111 (Callers are charged for calls.)

Operating hours: 8:00 to 22:00 on weekdays, 9:00 to 22:00 on weekends and holidays

*Please dial carefully to avoid wrong numbers.

*We may not discuss specific matters over the telephone due to the difficulty of confirming the caller's identity.

*Calls to the Customer Service Consulting Center are recorded for the purposes of improving services and supervising business operations.

3. The Operations of Japan Post Service

1 Profile of Operations

Japan Post Service is facing challenges posed by a decline in the volume of ordinary mail and increasingly intense competition in the logistics industry. In response, we are concentrating on operating efficiently and offering services from the standpoint of our customers.

As a result, in the 2007 fiscal period (six months ended March 31, 2008), the total volume of mail handled was 12,556.86 million items and there were 138.07 million Yu-Pack items and 1,209.45 million Yu-Mail items.

Mail: 12,556.86 million items

Yu-Pack: 138.07 million items

Yu-Mail: 1,209.45 million items

1. Daily Volume and Locations of Mail Delivery

| Daily volume of mail delivery | Daily locations for delivery |
|-------------------------------|------------------------------|
| About 69 million items | About 30 million locations |

Note: FY2004 data.

2. Postal Service Quality Survey (Days to Arrival)

Beginning in fiscal 1998, 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), providing public access to the times needed for mail to reach its destination. Results of the survey 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 2007 were as follows.

■ Nationwide Achievement Rate of Average Days to Delivery

| | FY2007 | Change (FY2006 results in parentheses) |
|--------------------------------------|--------|--|
| Nationwide average | 97.8% | +0.5% (97.3%) |
| For mail within the same prefecture | 98.3% | +0.2% (98.1%) |
| For mail to a neighboring prefecture | 97.0% | +0.5% (96.5%) |
| For mail to other prefectures | 97.4% | +1.0% (96.4%) |

3. Outsourced Operations

In addition to postal operations, Japan Post Service has the following business activities as prescribed by law.

■ Documentary Stamp Sales

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

(Millions of yen)

| Category | FY2007 |
|---|------------|
| Documentary stamps | ¥ 453,085 |
| Automobile weight tax documentary stamps | 608,094 |
| Unemployment insurance documentary stamps | 266 |
| Health insurance documentary stamps | 1,325 |
| Patent documentary stamps | 76,048 |
| Registration documentary stamps | 38,559 |
| Total | ¥1,177,377 |

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

2. Figures are for the period from October 1, 2007, through March 31, 2008.

■ Collection of NHK Receiving Fees

Japan Post Service collects broadcast receiving fees and other fees on an outsourcing basis for NHK (Japan Broadcasting Corporation).

| Category | FY2007 |
|----------------------------------|--------------|
| Branch offices handling payments | 393 |
| Collection and delivery centers | 1,539 |
| Fee income | ¥881 million |

Note: Figures are for the period from October 1, 2007, through March 31, 2008.

4. Outsourcing

Japan Post Service outsources some of its business activities as prescribed by law.

■ Outsourcing of Transport of Postal Materials, Etc.

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 | FY2007 |
|--|---------|
| Collection, delivery, and transport outsourcing expenses | ¥90,286 |

Notes: 1. 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 collection, transport, and delivery of postal materials, etc., such as the cost of renting the collection and delivery worksite, expressway tolls, and other items.

2. Figures are for the period from October 1, 2007, through March 31, 2008.

■ Outsourcing of Sale of Postage Stamps, Etc.

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)

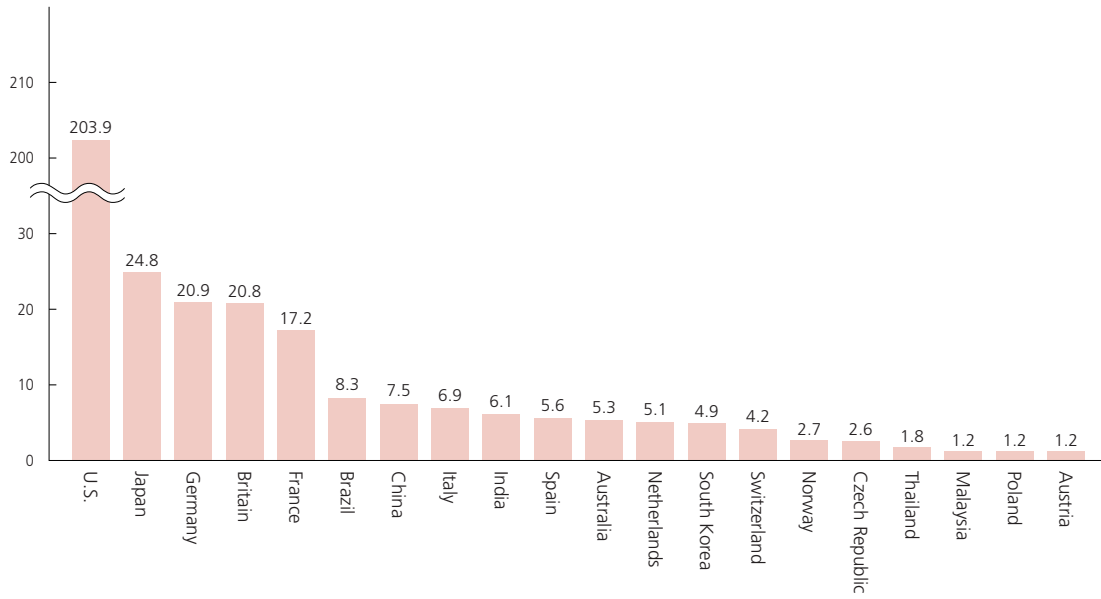
| Category | FY2007 |
|---|---------|
| Fees paid to locations selling postage stamps | ¥13,667 |

Note: Figures are for the period from October 1, 2007, through March 31, 2008.

2 Postal Services in Other Countries

1. Volume of Mail Received (Top 20 Countries in 2006)

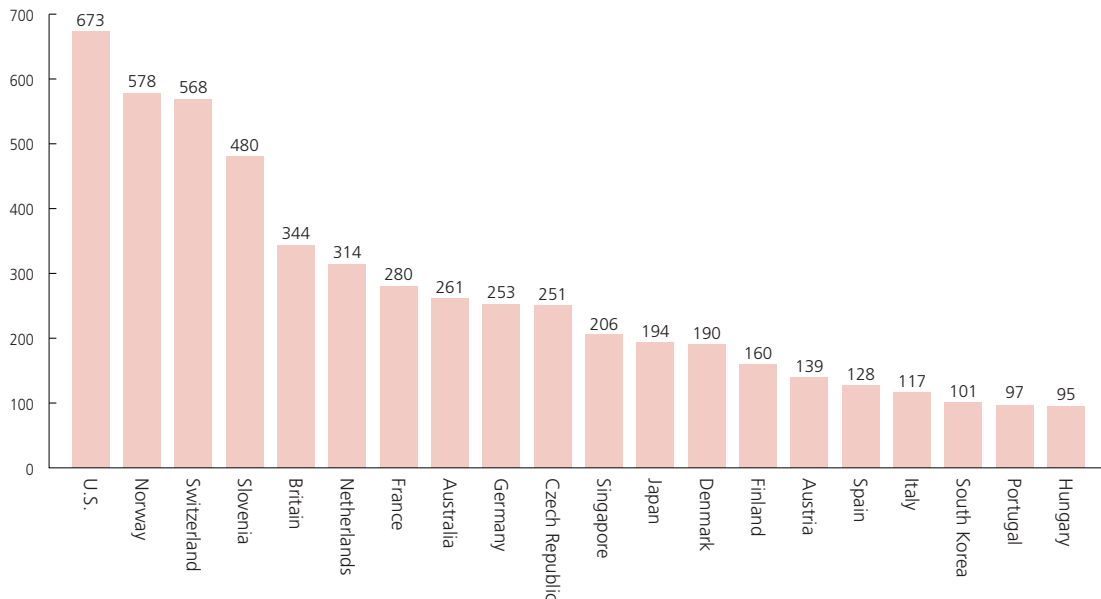
(Billions of items)



Source: Universal Postal Union Postal Operations Statistics (2006)

2. Annual Mail Volume Per Capita (Top 20 Countries in 2006)

(Items per person)



Source: Universal Postal Union Postal Operations Statistics (2006)

3 International Comparison of Postage

■ Comparison of Domestic Postage

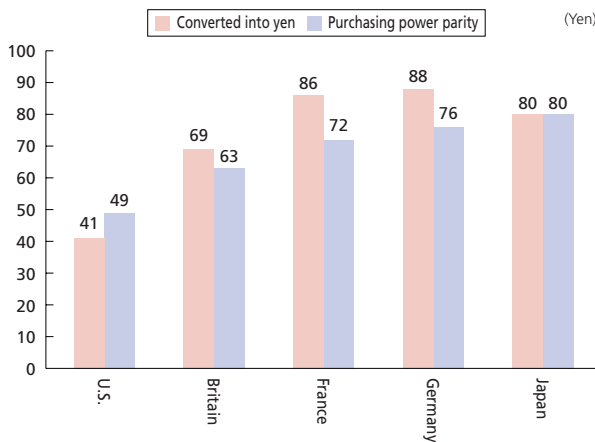
Based on conversions of foreign postage into yen, the domestic letter rate in Japan is about the same as those in major European countries (Britain, France, Germany) but postcard rates are lower in Japan.

In the United States, domestic letter and postcard postage is lower than in Japan. The reason is that the volume of mail in the

United States is about eight times higher than in Japan and the amount of mail per capita is about four times higher. This results in higher delivery efficiency. In addition, most U.S. domestic mail is generally delivered within two to three days compared with one to two days in Japan.

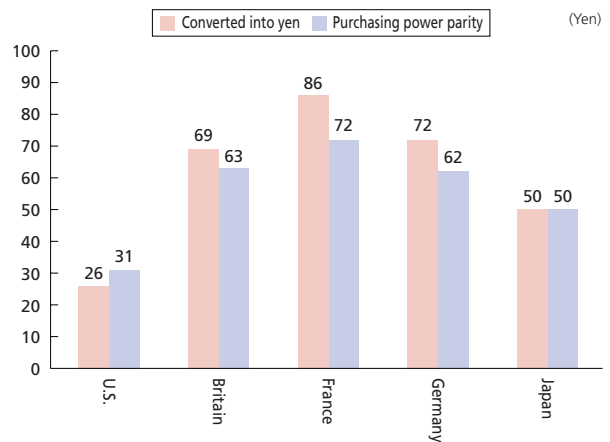
■ Comparison of Domestic Letter and Postcard Postage in Major Countries

● Letter rate



| | U.S. | Britain | France | Germany | Japan |
|-------------------------|--------|---------|--------|---------|-------|
| Currency | \$0.41 | £0.34 | €0.54 | €0.55 | ¥80 |
| Yen equivalent | ¥41 | ¥69 | ¥86 | ¥88 | ¥80 |
| Purchasing power parity | ¥49 | ¥63 | ¥72 | ¥76 | ¥80 |

● Postcard rate



| | U.S. | Britain | France | Germany | Japan |
|-------------------------|--------|---------|--------|---------|-------|
| Currency | \$0.26 | £0.34 | €0.54 | €0.45 | ¥50 |
| Yen equivalent | ¥26 | ¥69 | ¥86 | ¥72 | ¥50 |
| Purchasing power parity | ¥31 | ¥63 | ¥72 | ¥62 | ¥50 |

- Notes: 1. Only Japanese postage includes consumption tax.
 2. Yen conversions use the exchange rate as of March 31, 2008 (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 (2007 average OECD Main Economic Indicators).

| | Exchange rate | Purchasing power parity |
|--------------|---------------|-------------------------|
| 1\$ (U.S.) | ¥101.19 | ¥120.66 |
| 1£ (Britain) | ¥204.11 | ¥184.00 |
| 1€ (France) | ¥159.69 | ¥132.65 |
| 1€ (Germany) | ¥159.69 | ¥137.82 |

■ Comparison of International (Air) Postage

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

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

| | Air mail letter (25 grams) | | Postcard | |
|-----------------------------------|----------------------------|----------------|----------------|----------------|
| | Local currency | Yen equivalent | Local currency | Yen equivalent |
| Japan to the four other countries | — | ¥110 | — | ¥70 |
| U.S. to Japan | \$0.90 | ¥91 | \$0.90 | ¥91 |
| Britain to Japan | £1.24 | ¥253 | £0.54 | ¥110 |
| France to Japan | €1.70 | ¥271 | €0.85 | ¥136 |
| Germany to Japan | €2.00 | ¥319 | €1.00 | ¥160 |

Note: Yen conversions use the exchange rate as of March 31, 2008 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

4 Direct Mail as Media and Marketing Activities

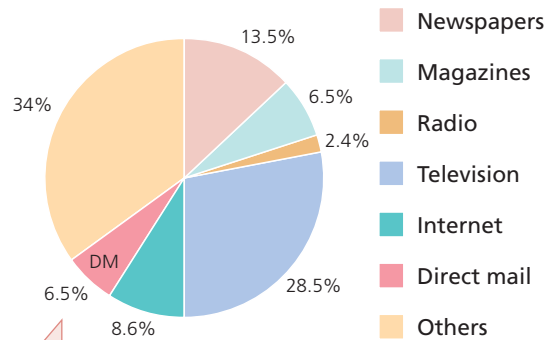
Japan Post Service is promoting the use of direct mail (letters and postcards) as a marketing medium for companies and conducting activities to increase the size of the direct mail market.

Direct mail is an advertising medium in which advertisers send information or messages directly to individuals. Compared with mass media like newspapers, magazines, radio, and television, direct mail is a medium that delivers information directly to the targeted individuals.

According to statistics compiled by Dentsu Inc. on Japan's 2007 advertising expenditures, direct mail advertising expenditures totaled ¥453.7 billion, which was 6.5% of total advertising expenditures of ¥7,019.1 billion.

Japan Post Service is providing ideas for the more effective and efficient use of direct mail. In addition, by providing a platform for the exchange of information, we are working on increasing the value of direct mail as a medium. Our goal is to provide benefits to companies using direct mail as well as to individuals who receive direct mail.

2007 Advertising Expenditures in Japan (Data: Dentsu Inc.)



Our goal is to increase the share of direct mail by providing ideas for ways to use this marketing tool

1. Direct Marketing Forum 2008

The Direct Marketing Forum 2008 took place in Tokyo from March 12 to 14, 2008. The themes of this event were "Think Direct" and "Witnessing, Describing, and Capitalizing on the Transformation of Marketing Strategies."

The Direct Marketing Forum 2008, held in fiscal 2007, revitalized the postal forums that were established in 1985 to promote the use of mail as an advertising medium. This forum focused on direct marketing, which is centered on mail and also combines other direct marketing media like the Internet, cell phones, and telemarketing. The event used the participatory learning method. Interest in the forum was high: the conference of the event was almost fully booked after accepting applications for only three weeks. In all, more than 2,200 people attended the forum.

On the first day, Japan Post Service Chairman and CEO Norio Kitamura gave the keynote address. Mr. Kitamura discussed the company's current operations and goals under the theme of "the Japan postal system's power of delivery."

On the final day, there was an award ceremony for the 22nd annual All-Japan Direct Marketing Awards (see next page).



■ Japan Post Service Chairman and CEO Norio Kitamura speaks at the forum (March 12, 2008)



■ Winners of the 22nd annual All-Japan Direct Marketing Awards



■ The All-Japan Direct Marketing Awards ceremony (March 14, 2008)

2. Promoting the Advantages of Direct Mail Marketing

The All-Japan Direct Marketing Awards recognize outstanding achievements in direct mail materials from all over Japan that have been distributed by companies over the past year.

These awards have been given every year since 1986, making fiscal 2007 the 22nd year. There are two objectives of these awards. First is making people aware of the role and effectiveness of direct mail as an advertising medium. Second is improving techniques used for the planning and design of direct mail.

In 2008, a large number of direct mail materials with a variety of designs and strategies were submitted. After an extensive evaluation by specialists in the direct mail and marketing fields, 24 were selected as grand prize winners. Awards were presented at the Direct Marketing Forum 2008.



■ Grand Prize—Gold Award: Benesse Corporation, "Support for preparing children for nursery school"



■ Gold Award, Judges' Special Award, Strategy Category: SOFTBANK MOBILE Corp., "Introduce a friend campaign"



■ Gold Award, Judges' Special Award, Creativity Category: Tamaki, "Restaurant with many orders"



■ Gold Award, Judges' Special Award, Effectiveness Category: Chrysler Japan, "Jeep Patriot direct mail"

3. Cross-Media Starting with Postcards

Using the backs of postcards as space for advertisements

Japan Post Service is promoting the use of postcards in several ways. One is the sale of postcards with advertisements, a means of improving services for customers. Another example is the purchase of postcards by advertisers for use as a sales promotion tool.



■ Sample "e-sense" cards (Advertiser: Asahi Soft Drinks Co., Ltd.)



■ Promotion of Mitsuya Cider (Asahi Soft Drinks) at the Yokohama Central Post Office was covered in the August issue of a marketing magazine.

5 Encouraging Letter Writing

Major Initiatives

| Activities | Description |
|--|---|
| Promotion of mail and letter writing | |
| Youth Pen-Pal Club | This youth organization is mainly for elementary and junior and senior high school students. The objective is to give them the opportunity to communicate and learn the joy of letter writing by exchanging letters with other young people in Japan and other countries. |
| Senior Postal Friendship Club | The objective is to use letter writing to encourage senior citizens to participate in cultural activities. In addition to exchanging letters, this club holds regular meetings, issues club reports and other publications, and conducts other activities. |
| Postage Stamp Classes | Postage stamp classes are held throughout Japan in cooperation with local postal clubs and other organizations. The classes teach postage stamp basics and methods of collecting stamps, so that more people can experience the pleasures of stamp collecting. |
| Picture Letter Classes and Postage Stamp Exhibitions | Letter Classes, Picture Letter Classes, and other events are held at post offices nationwide to give people opportunities to experience the enjoyment of letters and writing letters. |
| Contests | |
| All-Japan Direct Marketing Awards | These awards highlight the role and effectiveness of direct mail as an advertising medium and help improve the quality of direct mail planning and designs. Started in 1986, the contest recognizes outstanding achievements from among direct marketing materials that were actually used. |
| Direct Marketing Forum | The forum promotes the use of direct marketing. Events use participatory learning based on recent activities and strategies involving direct media centered on postal mail, and on its use in combination with other direct mail media, such as cell phones and telemarketing. |
| Letter-Writing Contest | The contest provides children with experience in letter writing and also helps develop well-rounded children by encouraging communication using written expressions. Started in 1968, the contest is now in its 40th year. |
| All-Japan New Year's Postcard Awards | The contest encourages people to create distinctive, humorous New Year's postcards and to increase the reciprocal flow of seasonal greetings by further promoting the custom of exchanging New Year's cards. |
| Services | |
| Letter Navi | Letter Navi is an Internet-based letter-writing service that allows visitors to create letters with ease. The service is located on the Japan Post Service Web site. |

6 Products and Services

1. Stamps, Postcards, and Other Products

| Products | Description/Features |
|---|---|
| Ordinary stamps | The standard lineup of postage stamps. There are currently 27 of these stamps in use. |
| 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 |
| <i>Furusato</i> stamps | Stamps issued to stimulate interest in specific regions of Japan by using stamps with regional themes |
| New Year's postcard stamps with donations | 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 | These are stamps with frames that allow original photographs and other design elements to be included in the design, which can be ordered using the Internet or at a post office. |
| Greeting stamps | Stamps with designs for use with greetings involving specific events |
| Standard postcards | Postcards with printed stamps and available in two types |
| New Year's postcards (New Year's lottery postcards) | These postcards are available with standard postage and with a donation added. |
| Summer greeting postcard (<i>Kamo-Mail</i>) | Postcards for summer greetings are available in a plain format and with pictures. |
| 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 with no fold | 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 needs to be printed. |
| Postcards with indentations | These postcards have a semicircular indentation on the lower left corner of the front so that blind individuals can tell the front and back and top and bottom of a postcard. |
| Picture postcards | Picture postcards feature famous scenery and other sights from all over Japan. |
| International postcards | These postcards are used for international air mail and have the same rate for every foreign country. |
| Mini-letters (Postal envelopes) | These sheets, which are three times the size of a postcard, are a 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 grams. |
| Aerogrammes | The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 grams. Writing space is three times the size of a postcard and postage is printed on the front. Air-mail postage is reduced (¥90 for anywhere in the world). |
| Letter-writing sets | A package of frequently used stamps and postcards |

2. Standard Mail Services

| Services | Description/Features |
|-------------------|---|
| First-class mail | 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 | This is the category for postcards. There are two categories: standard postcards and reply-paid postcards. |
| Third-class mail | Newspapers, magazines, and other periodicals issued at least four times each year and that have been approved by Japan Post Service |
| Fourth-class mail | A reduced-rate or free postage category for materials associated with public service or welfare. Examples include correspondence education materials, braille materials, special recordings, plants and seeds, and academic publications. |

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

| Services | Description/Features |
|---|---|
| Yu-Pack | A reasonably priced and convenient product offering a discount for bringing parcels to the post office and other discounts, such as a volume discount 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 service, specified-time delivery service, and many other benefits |
| Refrigerated Yu-Pack | A safe and reliable way to transport fresh produce and other goods that must be refrigerated |
| 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. |
| 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. |
| EXPACK500 | Allows customers to send any amount of items that will fit in the EXPACK500 envelope for a flat fee of ¥500, eliminating the need to calculate postage. Simply insert the items and drop the envelope in any post box. |
| Pos Packet | A convenient service for sending small and light items anywhere in Japan at a basic flat rate of ¥400. Delivery confirmation is available for an additional fee. Packets can be dropped in any post box. |
| Yu-Mail (booklet parcels) | A service for sending books and other publications at a lower cost than with Yu-Pack. No prior procedure is needed. Simply drop in any post box. |
| Town Plus (Yu-Mail for designated delivery area) | A service for delivering Yu-Mail parcels to all homes and businesses within a particular neighborhood |
| Yu-Mail for disabled persons | Yu-Mail for materials sent between libraries and persons with severe physical or mental disabilities |
| Braille Yu-Pack | Used to send braille materials |
| Blind Yu-Pack | Used to send videotapes for blind individuals. Available for tapes sent between facilities approved by Japan Post Service and eligible recipients. |

4. Major Supplementary Services

| Services | Description/Features |
|-------------------------------------|---|
| Special delivery | The fastest form of delivery, in which mail receives priority over other mail and parcels in the same class |
| Morning 10 (Next-day 10:00 mail) | Delivers mail by 10:00 on the morning of the following day. A mail-tracking system to confirm delivery is also available. |
| New express mail | In most cases, delivers mail received in the morning by 17:00 the same day |
| Registered mail | Letters and parcels are tracked from receipt 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 simple registered mail (discounted postage). |
| Delivery registration | A service for registering the receipt and delivery of mail and parcels. This tracking service allows checking the progress of items from receipt through delivery. |
| ID confirmation delivery | Mail and parcels are delivered only to the recipient or an agent designated by the recipient (one individual). |
| Payment on delivery | 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 transfer or ordinary transfer. |
| Specified delivery date | The letter or parcel (excluding certain items) is delivered on the day specified by the sender. |
| Letax | A service for quickly sending hand-written messages, illustrations, and similar items by using a fax transmission between the business sites that are sending and receiving the materials |
| 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 nationwide using ordinary mail. |
| Hybrid mail | A simple mail service that requires no envelopes, paper, or stamps. An electronic message prepared on a computer is sent to Japan Post Service using the Internet and delivered using a hybrid mail envelope. |
| e-content certification | A service for using the Internet to send mail that requires certification of the contents; available on a 24-hour basis |
| Certification services | 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. |

5. 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 |
| 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 | 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 mailing 500 or more pre-sorted printed materials by a single sender that has been approved by Japan Post Service. |
| International business reply service (IBRS) | The recipient of international mail in Japan pays for the postage rather than the sender. |

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

6. Other Services

| Services | Description/Features |
|---|---|
| Reforwarding service | When an individual relocates, mail is forwarded to the new address for one year at no charge. The individual needs only submit an application. |
| 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, useless 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 where the printed postage stamp rate is soiled or damaged. |
| Free exchanges of lottery number postcards, etc. | New Year's and other postcards 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. |

7 Topics

1. Parcel Delivery Business Integration with Nippon Express

Japan Post Holdings Co., Ltd., and Nippon Express Co., Ltd., signed a fundamental business agreement on October 5, 2007, to form a comprehensive strategic business alliance.

■ Highlights of Agreement

- a. Japan Post Holdings and Nippon Express will cooperate based on the fundamental principle of coexistence and mutual prosperity by fully utilizing their brands, customer bases, networks, and know-how to develop and sell competitive products and services. For this purpose, the two corporate groups will move quickly to consider and establish a relationship based on a comprehensive and strategic business alliance.
- b. The two companies have agreed to integrate the parcel delivery businesses of Japan Post Holdings subsidiary Japan Post Service and Nippon Express.
- c. For alliances in fields other than parcel delivery, the two companies will conduct activities at the appropriate times that the agreements are consistent with the fundamental principle of coexistence and mutual prosperity.

In accordance with the fundamental business agreement, the two companies signed an integrated fundamental business agreement on April 25, 2008.

■ Highlights of the Integrated Fundamental Business Agreement

- a. JP Express Co., Ltd., was established on June 2, 2008, as provided for in this agreement.
- b. The parcel delivery businesses of the two companies will be integrated by transferring these operations to JP Express in April 2009.



2. ¥50 Stamp Sheet Joins Frame Stamp Lineup

In response to requests from customers, Japan Post Service has added sheets of ¥50 stamps to its popular lineup of frame stamps, which allow individuals to create stamps using their own photographs. This service is popular for creating commemorative stamps for weddings and other events.

■ Frame Stamps

Frame stamps come with a perforated frame enclosing a black center portion (tab) in which individuals can print their own photographs. They allow customers to create “personalized stamps.”



3. New Year's Lottery Postcards for 2008

■ 2008 New Year's Postcard Campaign
(New Year's Postcards as Gifts)

The theme of the 2008 New Year's lottery postcard campaign was the promotion of the postcards as gifts. Television commercials supporting the campaign featured prominent people of various ages from many fields, including academics, actors, comedians, and musicians.

In addition, we conducted a New Year's postcard campaign for purchasers to give them the opportunity to participate in a draw to win one of 10,000 gourmet food prizes.

■ New Year's Postcard Sending Week

We designated the second week of December as "New Year's Postcard Sending Week." Encouraging people to finish work on their postcards ahead of time gave them more free time to relax and enjoy the New Year's holiday. To promote this week, we used an outdoor advertisement featuring an enormous post box, opened "café de nenga" at Roppongi Hills in Tokyo, which serves menu items that look like New Year's postcards, and opened a New Year's postcard gallery.

■ Sale of New Year's Postcards That Gave Senders Even More Enjoyment

We offered a lineup of New Year's postcards that provided even more enjoyment for senders.

New product 1: Carbon offset New Year's postcard

These postcards included a donation to fight global warming. Donations were used for global warming prevention projects with the goal of helping achieve the 6% reduction in Japan's greenhouse gas emissions prescribed in the Kyoto Protocol.



New product 2: Disney New Year's postcards

These postcards featured Mickey Mouse, Minnie Mouse, and other Disney characters.



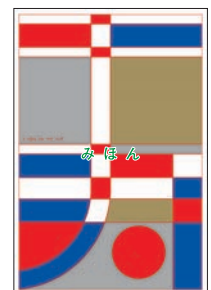
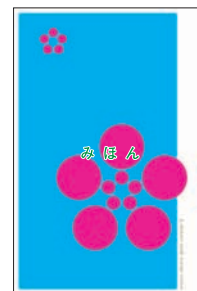
©Disney



©Disney

New product 3: Artistic postcards

These postcards featured designs by the well-known art director Kashiwa Sato. There were five sets of cards using seven themes: pine, bamboo, plum, spring, dawn, "cute New Year's," and others. The postcards were sold exclusively at post offices.



8 Improving Quality

1. Measures to Improve Quality

With the goal of providing postal services of a consistently high quality at all our business sites, we prepare a variety of manuals for employees, which show how to handle postal materials and

other tasks. We make certain that all employees base their actions on these manuals in order to maintain and improve the quality of postal services.

2. Collection and Redelivery Call Center

On January 31, 2005, a collection and redelivery call center with a toll-free number was established. The center handles all calls from customers in Tokyo's 23 wards concerning collection

and redelivery. Establishing the center improved customer satisfaction, such as by dealing with the previous difficulty of contacting the post office by telephone.

9 Listening to Customers

Japan Post Service positions the use of customer feedback as a fundamental element of operations. We are dedicated to gathering a broad range of comments, suggestions, and other customer input and making this information available to all employees in order to improve our services and operations.

All feedback from customers is sent to the CS Promotion Division for centralized management, analysis, and the determination of responses. Information is used to improve services and operations with the aim of achieving greater customer satisfaction.

■ Customer Service Consulting Center

Telephone: 0570-046-111 (Callers are charged for calls.)

Operating hours: 8:00 to 22:00 on weekdays
9:00 to 22:00 on weekends and holidays

*Please dial carefully to avoid wrong numbers.

*We may not discuss specific matters over the telephone due to the difficulty of confirming the caller's identity.

*Calls to the Customer Service Consulting Center are recorded for the purposes of improving services and supervising business operations.

4. The Operations of Japan Post Bank

1 Profile of Operations

1. A Smooth and Steady Privatization

Following extensive preparations involving both computer systems and people, Japan Post Bank was able to begin operations in October 2007 as a private-sector company with no major disruptions to customer services.

As one way to benefit customers following the privatization, we conducted a privatization commemorative lottery campaign

(in October and November 2007) and the first marketing campaign in our history that offered premium interest rates on deposits (December 2007). Furthermore, we eliminated fees for internal transfers of funds through our ATMs.

2. Rapid Establishment of Internal Control Systems and Enhancement of Quality of Operations

Japan Post Bank uses the company with committees system in order to separate the management functions of supervision and execution of business activities. This system is aimed at strengthening internal controls and improving management transparency and facilitating speedy decision making.

Based on a management policy that “Compliance always comes first,” we are using the following actions to strengthen compliance programs. Furthermore, by improving the quality of operations, we are working on providing customers with services of an even higher quality.

- (1) Senior management plays a direct role in emphasizing the importance of compliance activities. For the compliance organization, there are compliance officers who are responsible for conducting compliance activities at each business site, compliance training programs for all employees, and other activities to ensure that all employees are well aware of the importance of compliance.
- (2) We have a system for using feedback from customers to improve operations. We have extended the operating hours of the Japan Post Bank Call Center on weekdays and started

operating this center on weekends and holidays. Another improvement is the establishment of a toll-free number for calls from cell phones and other phones.

- (3) To improve the quality of operations, we have installed money-handling machines and other equipment at all branches. In addition, we have a guidance system for clerical personnel at our branches and post offices.
- (4) To sell investment trusts and other financial products properly, we conduct special investigations and inspections and are reinforcing our internal control systems.
- (5) We hold information security classes led by external instructors and conduct other activities to ensure that customers’ personal data is protected.
- (6) To improve the reliability of our financial reports, we comply with the Japanese version of the Sarbanes-Oxley Act with regard to evaluations and reports of internal controls and other matters.
- (7) We are increasing the number of auditors and taking other actions to upgrade our internal auditing activities.

3. Establishing a Model for the Retail Banking Business

To offer a wide range of products as a retail bank, we have applied for permission to start new businesses that meet our customers’ needs. Applications have been submitted for a credit card business, a life insurance sales business that includes variable annuities for individuals, and a consumer loan intermediary business.

We have conducted marketing campaigns to attract new customers. Two examples are a campaign that offered premium

interest rates on deposits and a campaign that encouraged individuals to deposit their lump-sum retirement payments at Japan Post Bank (from February to May 2008). These campaigns had the added benefit of generating more business from current customers.

For investment trusts, we hold seminars throughout Japan to give customers a complete explanation of the characteristics of the products.

4. Upgrading Investment Management Operations

We are diversifying sources of revenue by widening the range of investments. We have increased the number of staff in the investment division and filed applications that will allow us to deal with syndicated loans, trust beneficiary rights, loans, and other financial instruments. Our applications were approved in

December 2007, and we have started using these additional ways of managing our assets.

Along with these measures, we are establishing the risk management system required for banking operations and working on ways to adopt more sophisticated methods for measuring risks.

5. CSR Activities

We have a strong commitment to corporate social responsibility (CSR) based on our philosophy of serving as “the most convenient and dependable bank in Japan.”

We assist senior citizens and people with disabilities and other special needs in many ways, such as by delivering pension payments and using braille to provide services. To assist victims of natural disasters, we provide ways for customers to transfer donations at no charge to support organizations and perform other services.

Environmental protection is another element of our CSR activities. We have established an Environmental Policy and participate in many environmental programs. For example, the ISO 14001 certification received by Japan Post now applies to our operations, and we participate in the Team Minus 6% energy-saving campaign of Japan’s Ministry of the Environment.

2 Products and Services

(As of July 1, 2008)

1. Deposits

| Product or service | Description |
|--------------------|---|
| Ordinary deposits | Useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and annuities, and many other purposes |
| TEIGAKU deposits | Deposits that can be withdrawn at any time after six months and held for up to 10 years, with interest compounded semiannually. The initial interest rate is applicable until withdrawal. |
| Time deposits | Deposits with 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. |

2. Domestic Remittances

| Product or service | Description |
|--------------------|---|
| Remittances | A simple and low-cost method for sending money anywhere in Japan. There are two types: ordinary and small amounts. |
| Transfers | An easy and reliable means of sending money by using a transfer account. Inpayment and outpayment can be handled normally or by electronic transfer for urgent transfers. |

3. International Remittances

| Product or service | Description |
|--------------------|---|
| Payment to address | The remittance amount and charge are paid in cash and a money order or other document is delivered to the 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. |
| 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 giro account. |
| Account transfer | The remittance amount and charge are deducted from the remitter's integrated account or giro account and the remittance amount is transferred to an overseas-payee's bank or postal giro account. |

4. Consumer Loans

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

5. Investment Products

| Product or service | Description |
|---|--|
| Japanese government bonds (JGBs) and bond-secured loans | Sales of JGBs to be sold under the new OTC sales system (two-, five-, and ten-year maturities) and the nonmarketable JGBs for individual investors (five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds. |
| Investment trusts | Japan Post Bank branches and post offices serve as agents for the sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions. |
| Variable annuities | Intermediary services for variable annuity policies as the sales agent for life insurance companies. |

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. (Plans are under way to begin issuing a JCB-brand card by the end of 2008. In addition, we offer a credit card that does not double as an ATM card.) We also offer family cards, ETC cards, iD (cell phone) cards, and PiTaPa cards. Customers apply for cards by completing and submitting a JP BANK CARD application, available at branches and post offices. |
| Debit cards | Customers can use debit cards at department stores and retailers affiliated with the Japan Electronic Payment Promotion Organization. The purchase amount is promptly debited from the savings account. |

7. Other Services

| Product or service | Description |
|---------------------------|--|
| ATM/CD alliance | ATM cards and other eligible cards issued by affiliated financial institutions can use Japan Post Bank ATMs, and vice versa. |
| Foreign currency exchange | Eight currencies: U.S. dollar, Chinese yuan, Canadian dollar, pound sterling, South Korean won, Australian dollar, Swiss franc, and euro (Chinese yuan is exchangeable only at certain locations.) |
| Traveler's checks | Seven currencies: U.S. dollar, Canadian dollar, pound sterling, Australian dollar, Swiss franc, euro, and Japanese yen. (As of September 16, 2008, we no longer sell Swiss franc traveler's checks.) |

3 Topics

1. Introduction of the JP BANK CARD (May 2008)

Japan Post Bank's JP BANK CARD service is as both an ATM card and a credit card. We accept applications for this card at all 233 branches and all post offices (about 20,000 locations) in Japan.

Customers can use the JP BANK CARD for shopping as well as eligible utility payments and other payments. Among its many features, the card has a reduced annual fee and lower fees for revolving credit for shopping purchases. The card's advantages make it ideal for use as the primary ATM and credit card of each and every customer.

The JP BANK CARD that also functions as an ATM card is compatible with the Edy e-money system, and other cards are compatible with the contactless iD credit payment service. In addition, we can issue family cards, ETC cards, iD (cell phone) cards, and PiTaPa cards.



JP BANK MasterCard



JP BANK VISA CARD

2. Mortgage and Consumer Loan Intermediary Service (May 2008)

Japan Post Bank serves as an intermediary for mortgage loans and other loans for individuals that are extended by Suruga Bank Ltd. Our alliance with this bank allows us to offer these loans at 50 branches in the Tokyo, Nagoya, and Osaka regions.

This alliance makes it possible for both banks to meet a broader range of financing and asset building requirements in order to help customers achieve their goals.



Mortgage and consumer loans

a. Mortgage loan: *Yumebutai*

There are 15 types of loans in this category in order to help as many people as possible own their own home. Loans are structured for small business owners and other businesspeople, working women, active seniors, and other customers.

b. Loans for specific purposes: *Yumekouro*

There are two types of these loans, one for a specific purpose and the other to provide funds to care for a parent. The loans have the flexibility to meet needs ranging from providing funds for education to helping an individual care for an aging parent.

c. Card loan: *Shitaku*

True to its name *Shitaku* ("preparation" in Japanese), this card loan is ideal for helping customers prepare for achieving a particular goal.

3. Start of Variable Annuity Sales (May 2008)

Japan Post Bank started selling variable annuity policies at 82 branches throughout Japan in May 2008. We plan to expand sales to all 233 branches by January 2009.

We offer a lineup of policies that are simple and easy to understand. This allows us to meet the requirements of individuals of all ages with regard to retirement planning.

Variable annuity policies

(a) Fixed-period type

- **Tanoshimi YOU** (Underwriter: Sumitomo Life Insurance)
This is a simple policy that invests a lump-sum premium in the special account during the fixed period, which is at least 10 years. At the end of this period, the policyholder can receive a pension or a single payment.
- **Three-Step Annuity** (Underwriter: ING Life Insurance)
This product combines three functions: to increase policy value, to protect policy value, and to receive payments such that the Step-Up Base Amount is the minimum guaranteed for the annuity capital at the maturity of the fixed period (10 years or more).



(b) Early payment type

- **Shiawase Teikibin**, or “Happiness Annuity” (Underwriter: Mitsui Sumitomo MetLife Insurance)
Policyholders are eligible to begin receiving lifetime annuity payments anytime on or after the first anniversary of the purchase date. The insurer guarantees the annuity payments will continue until the death of the insured, even if the policy’s account value falls to zero due to withdrawals or market fluctuations.



(c) Accumulation type

- **Yu-Yu Accumulation-Type VA** (Underwriter: ALICO Japan)
“Yu-Yu Accumulation-Type VA” is an innovative VA product which is “easy to start” for customers. The concepts of this product are:
—Single premium with regular premium payments of a minimum period of 10 years
—Principal guaranteed

4 Improving Customer Satisfaction

1. Customer Satisfaction Activities

Japan Post Bank is firmly committed to complying with laws and regulations; earning the trust of customers, markets, shareholders and employees; and contributing to society. In addition, we are dedicated to reforming our management and business operations to reflect the wishes of customers and changes in our operating environment.

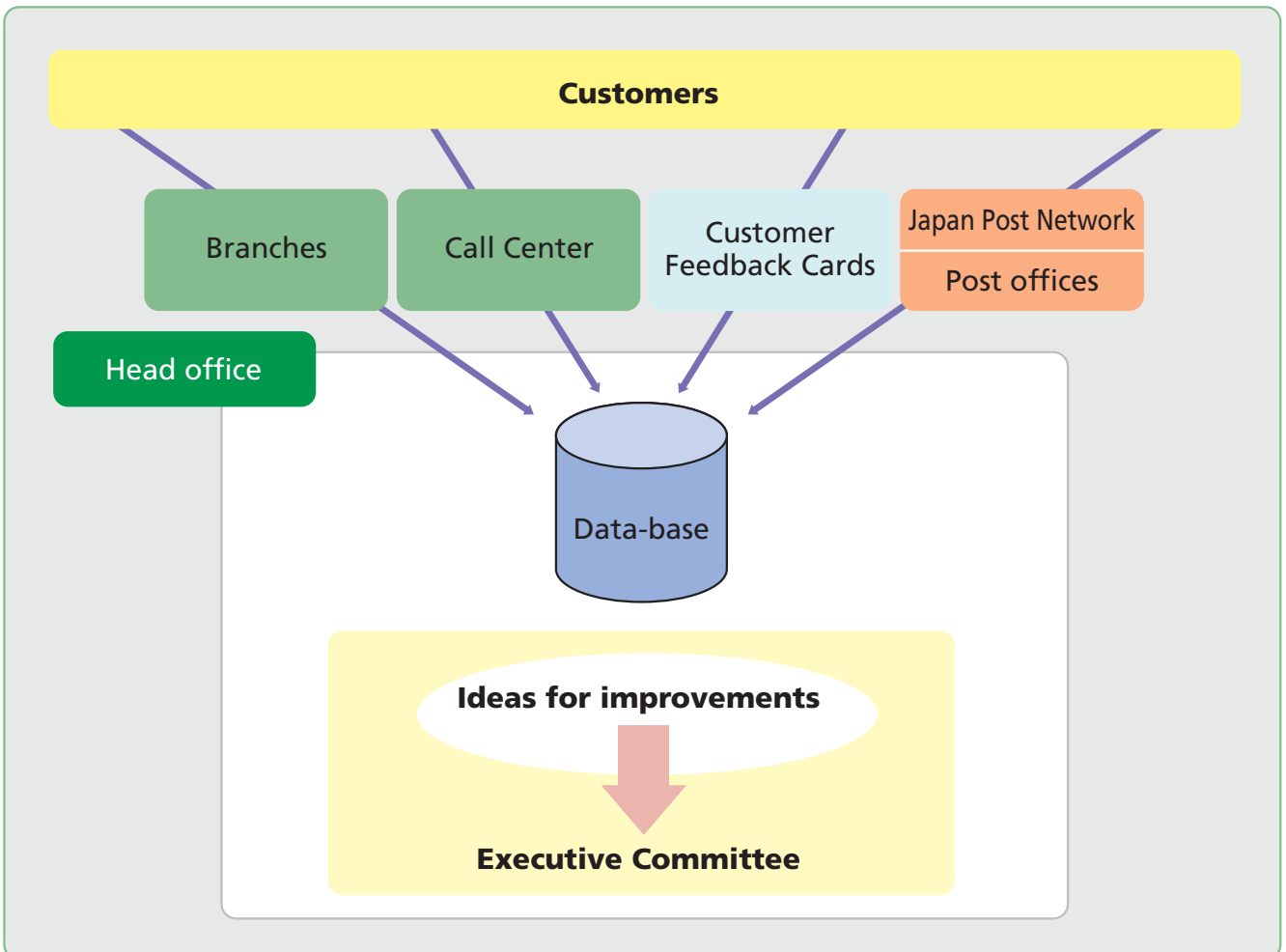
To realize our management philosophy of becoming “the most convenient and dependable bank in Japan,” we listen carefully to what our customers tell us. We use this feedback to improve and expand our services with the aim of achieving even greater customer satisfaction.

2. Listening to Customers

Customers can use branches, the Call Center, and other channels to submit comments, questions, and requests to Japan Post Bank. We use a centralized management system to process this information to make it available throughout the company. Furthermore, we study customer feedback in order to make all improvements that are required.

To provide another communications channel, we have Customer Feedback Cards in the lobbies of all branches. Information received from these cards is shared with all other branches and used to improve customer satisfaction for all Japan Post Bank operations.

Customer Service Improvement Flowchart



3. How Customer Input Leads to Improvements

Two illustrations of how comments from customers lead to improvements in our operations are presented below. Please

visit our Web site for more information on actions taken due to comments and suggestions from customers.

| Customer feedback | Improvements |
|---|---|
| <p>I would like to contact Japan Post Bank about products and services after 18:00 weekday evenings and on weekends and holidays. Also, can you provide a toll-free number for calling Japan Post Bank from a cell phone?</p> | <p>Until recently, our Call Center operated only between 8:30 and 18:00 on weekdays and cell phone users had to pay for their calls. Beginning on June 23, 2008, we extended weekday operating hours and added weekend and holiday services as shown below. In addition, cell phone users can call us at no charge.</p> <p>◆ Japan Post Bank Call Center operating hours Weekdays: 8:30 to 21:00 Weekends/holidays: 9:00 to 17:00 (9:00 to 17:00 from Dec. 31 to Jan. 3)</p> <p>Note: Not accessible from certain IP telephones and some other services</p> |
| <p>When my time savings or <i>TEIGAKU</i> savings mature, I would like to keep the savings certificate that was issued when Japan Post Bank was a Japanese government agency as a commemorative certificate.</p> | <p>Normally, we ask customers to return savings certificates when their time savings or <i>TEIGAKU</i> savings reach maturity. We have returned only commemorative certificates to customers. We have now revised this system to allow customers to ask for the return of standard deposit certificates, too.</p> <p>Note: Please ask for the return of a certificate during the deposit maturity procedure at a Japan Post Bank branch or post office.</p> |

5. The Operations of Japan Post Insurance

1 Profile of Operations

1. Business Operations Framework

Japan Post Insurance supplies services that meet customers' needs through the extensive network of post offices that serves all areas of Japan as the base for the sale of policies and related procedures.

■ Network for Provision of Japan Post Insurance Policies and Services

Japan Post Insurance uses agents (the post offices of Japan Post Network and contracted post offices) and directly operated wholesale divisions as sales channels.

(1) Agents

a. Post offices (Japan Post Network)

Japan Post Insurance uses the post offices of Japan Post Network for the nationwide sale of simple and easy-to-understand policies in small amounts and the provision of associated services. Services primarily target households and individuals.

In addition, we work with Japan Post Network to develop policies that meet customers' needs, add marketing and service channels, and use sophisticated sales processes, taking advantage of our unique characteristics.

As of March 31, 2008, a total of 20,203 post offices sold life insurance policies.

b. Contracted post offices

Just as at post offices, contracted post offices provide products and services that are simple and easy to understand.

As of March 31, 2008, there were 860 contracted post offices with life insurance sales outsourcing agreements.

In addition, there are contracted post offices that refer customers to post offices.

(2) Directly operated wholesale divisions

There are 80 directly operated wholesale divisions of Japan Post Insurance, serving all major cities in Japan. These divisions are responsible for selling policies and services primarily to companies and in the workplace, mostly at small and midsize companies.

We monitor market trends, acquire more sales skills, and build an effective sales framework through this sales and service channel. We also respond to the diversifying needs of our customers.

■ Bases for Life Insurance Procedures

We use the nationwide network of post offices for the collection of premiums, payment of benefits, and other policyholder procedures.

When Japan Post was privatized, the management of postal insurance policies was transferred to the Management Organization for Postal Savings and Postal Life Insurance, which outsourced this operation to Japan Post Insurance. We have outsourced certain operations to Japan Post Network, including the collection of premiums and payment of benefits. As a result, customers can receive insurance services at post offices just as they did prior to the privatization.

2. Insurance Policies

The following is a summary of insurance policy sales and other statistics in fiscal 2007.

In the 2007 fiscal period, which is the six-month period that ended on March 31, 2008, Japan Post Insurance sold 592 thousand policies to individuals with an insured amount of ¥1,635.0 billion and 62 thousand individual annuity policies with an annuity amount of ¥217.3 billion.

As of March 31, 2008, there were 589 thousand individual life insurance policies and insurance in force was ¥1,627.0 billion. There were 62 thousand individual annuity policies with an annuity amount of ¥216.0 billion.

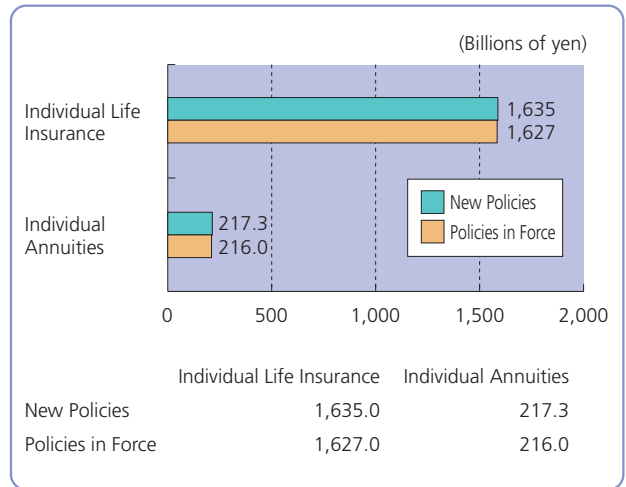
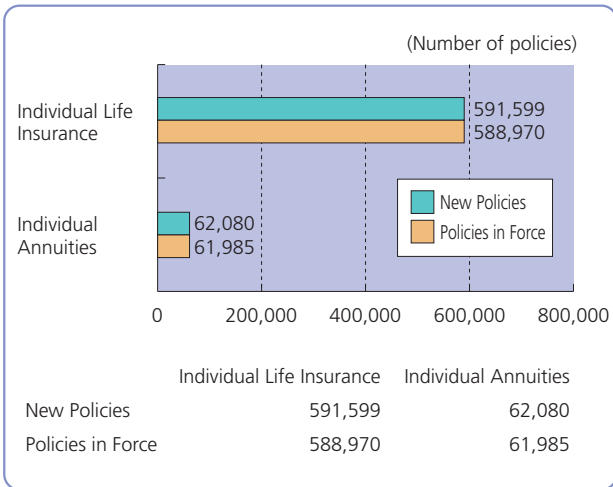
During the six-month period, there were terminations and lapses of 2,588 individual life insurance policies with an insured

amount of ¥8.0 billion and 88 individual annuity policies with an annuity amount of ¥300 million.

Japan Post Insurance received in the form of reinsurance the postal insurance policies that were transferred to the Management Organization for Postal Savings and Postal Life Insurance when Japan Post was privatized.

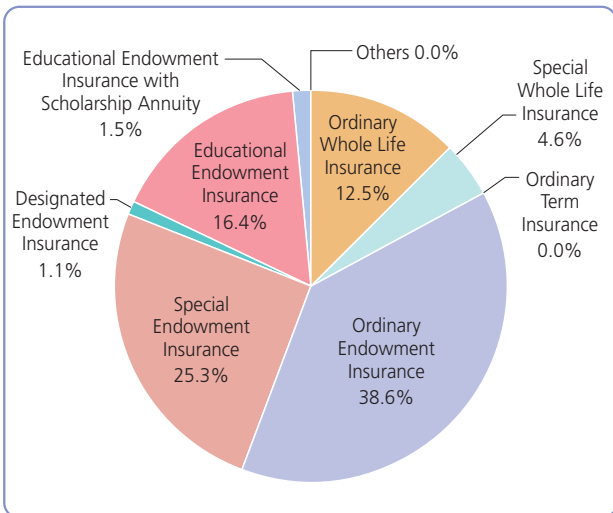
As of March 31, 2008, policies reinsured by Japan Post Insurance amounted to 52,180 thousand life insurance policies with an insured amount of ¥144,156.4 billion and 6,298 thousand annuity policies with an annuity amount of ¥2,310.2 billion.

■ New Policies and Policies in Force

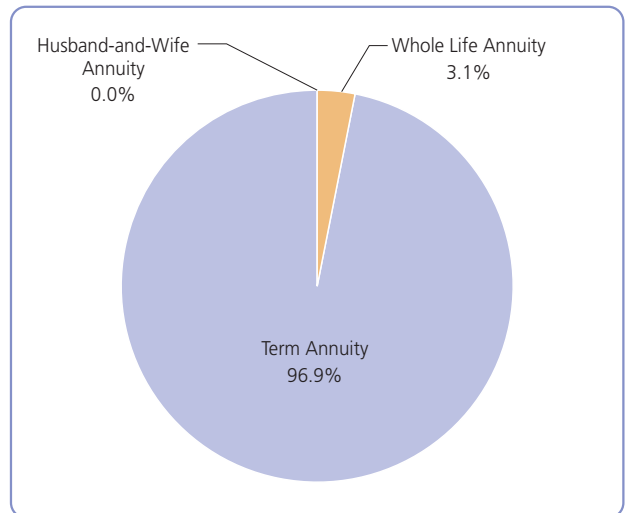


■ Composition of New Policies (Number of Policies)

(1) Individual Life Insurance



(2) Individual Annuities



3. Strengthening Underwriting and Payment Operations

■ Guidance and Education for Underwriting Assessors

We take many actions to upgrade the appraisal skills of our underwriting staff. There are seminars on revisions whenever we introduce a new product or new system. We hold study groups when medical assessment standards are changed. In addition, we continuously perform voluntary inspections to confirm strict adherence to medical evaluation standards.

■ Evaluations when Underwriting a Policy

We assess risks based on medical and other examinations of prospective policyholders. To ensure fairness among all policyholders, we underwrite new policies based on the ratios at which insurance benefits have been paid. When there is a past record of injury or disease, we may decide not to issue the policy or to approve a rider.

When there is a history of injury or disease, a staff member of a Japan Post Insurance branch or a post office (Japan Post Network) may ask the individual who has applied for a policy to provide more information concerning this matter.

■ Guidance and Training for Life Insurance Claims Assessors

For the training of our claims assessors, we hold classes on revisions associated with the establishment of new policies and services. There are also periodic training sessions to upgrade claim investigation and evaluation skills. For employees who meet certain requirements, we offer a program to further refine claim evaluation skills by earning the life insurance benefit payment specialist qualification of the Life Insurance Association of Japan.

■ Investigations by Attorneys Concerning Denial of Life Insurance Benefit Payment

There are policies that deny double indemnity caused by serious neglect of the policyholder or an incident that happened while the policyholder was intoxicated. In addition, there are policies that deny payment of death benefits in the case of an insured person's suicide or murder. To confirm the results of these investigations from an objective and neutral standpoint, we ask an attorney to perform an examination, which is separate from that of our service center. If the attorney decides that our investigation was inadequate, we examine the matter further. This decision is again checked by an attorney. Using this process ensures that insurance benefit payments to policyholders will be based on objective and neutral investigations.

■ Checks and Revisions to Payment Management Systems

We are committed to improving services from the perspective of our policyholders. For this purpose, we perform a comprehensive inspection of the insurance payment business process. We are always seeking ways to improve our organization, rules, clerical procedures, and IT systems in order to pay benefits promptly and appropriately.

To improve the quality of payment approval operations and provide consistent services, we have a medium- and long-term program for training employees so they gain the specialized knowledge and experience to check and process claims. Furthermore, we are improving business processes at the service center, which plays a central role in approving payments of insurance benefits.

■ Establishment of Assessment Investigation Committee

At times, reaching an agreement by relying solely on discussions with customers is difficult. Despite our best efforts to provide a thorough explanation, customers sometimes ask for an investigation by a third party and have other requests. When such disputes occur, we submit the customers' request to an Assessment Investigation Committee that includes external attorneys and other individuals. The committee performs a neutral and fair investigation to help ensure that the claim approval process functions properly. Another objective of this committee is to protect the valid interests of policyholders and others.

(1) Matters submitted to the committee

Investigations into whether or not our decision was proper with regard to disputes concerning obligations in insurance policies, such as the payment of benefits. (The committee does not investigate claims for damages.)

(2) The investigation procedure

An investigation is conducted by using the insurance claim form and other documents submitted by the policyholder and copies of the assessment materials submitted by our claim assessment department. The conclusion reached by this investigation is submitted using an investigation conclusion notification form. Our policy is to abide by the decision reached by this investigation.

We do not perform investigations when legal arbitration or litigation has been concluded or is ongoing.

(3) Committee members

There are seven or fewer committee members, including one attorney, one physician, and an individual who is knowledgeable about consumer issues.

2 Topics

1. New Businesses

■ New Businesses Involving Sales of Corporate Policies for Other Companies and Review of Hospitalization Rider

Japan Post Insurance submitted new business applications to the Commissioner of the Financial Services Agency and the Minister of Internal Affairs and Communications on November 26, 2007, and received approval on April 18, 2008.

We believe that adding these business operations will contribute greatly to making our services more convenient for customers and stabilizing our operations.

■ Deregulation of Portfolio Investments (Including Derivatives)

Japan Post Insurance submitted applications to the Commissioner of the Financial Services Agency and the Minister of Internal Affairs and Communications on October 4, 2007, asking for deregulation of portfolio investments. On December 19, 2007, we received permission to begin investing in syndicated loans (participation type), trust beneficiary rights, and certain other assets.

We believe that the greater flexibility in making investments will contribute greatly to the stability of our operations.

2. Business Alliance with Nippon Life Insurance

Japan Post Insurance and Nippon Life Insurance Company reached an agreement on February 22, 2008, to form an alliance concerning some business operations. This action was based on the need to cooperate mutually to offer greater convenience for customers by providing quality services that meet customers' diverse needs and contributing to the development of the life insurance market by increasing corporate value. The two companies believe this alliance is consistent with the spirit of the postal privatization. Furthermore, a proper competitive relationship between Japan Post Insurance and Nippon Life Insurance will be maintained.

The next step will be the determination of specific forms of cooperation, such as developing postal life insurance products and building clerical and IT systems, while taking into consideration the competitive environment at both companies.

The alliance covers the following items.

(1) New product development

Japan Post Insurance and Nippon Life Insurance are committed to providing customers with greater convenience and contributing to progress in the life insurance market. Based on this stance, the two companies will cooperate mutually while

maintaining a proper competitive relationship, to develop products and services for distribution at post offices, the primary marketing channel for Japan Post Insurance. For insurance products that the two companies agree to develop, Nippon Life Insurance will provide the required data and know-how to Japan Post Insurance.

(2) Clerical and IT systems

Japan Post Insurance is establishing clerical systems and IT systems for the underwriting and payment management operations needed to protect its policyholders. Nippon Life Insurance will provide data and know-how required for these systems, along with other assistance.

(3) Risk management and other items

The two companies will discuss methods for establishing risk management systems and conducting marketing activities with regard to the newly developed products described in items (1) and (2).

The two companies will discuss methods for conducting the personnel exchanges needed to accomplish the goals of this agreement.

3. Development of New Products and Services

The goal of Japan Post Insurance is the development of insurance policies that are easy to understand and highly convenient. We have already taken several actions. One was a review of the terms of our hospitalization rider in response to many requests from customers. Another was the establishment

of an option that allows a designated third party to request insurance benefits, which enhances policyholder convenience. In addition, we have started selling insurance policies to companies as an agent for other insurers.

(1) No-dividend injury hospitalization rider, no-dividend illness and injury hospitalization rider (July 2008)

We started offering a hospitalization rider that pays benefits beginning with the first day in the hospital. Furthermore, we significantly increased the medical conditions covered by our

surgery insurance to match the government health insurance system. This change was also made in July 2008 in line with our policy of providing insurance coverage that is simple and easy to understand.

■ Benefits (For No-Dividend Illness and Injury Hospitalization Rider, ¥15,000 Daily Payment (Rider Insurance Amount of ¥10 million))

- Hospitalization for illness or injury (Hospitalization benefit)
- Benefit starting with the first day (even for outpatient care (Note 1))

¥15,000 x days of hospitalization
(Daily payment)
Maximum of 120 days

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

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

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

¥300,000
(3% of rider insured amount)

Notes: 1. Outpatient care is defined as when the hospital admittance and discharge days are the same. Decisions regarding payments 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.
3. Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information pamphlets and policy agreement.

(2) Start of system for designated third-party requests for insurance benefits (July 2008)

With this system, policyholders designate in advance a third party that can act as an agent for requesting the payment of insurance benefits. This may be useful when the insured party is unable to submit the request due to a serious illness or injury.

3 Listening to Customers

Japan Post Insurance views the comments, suggestions, and other feedback from customers as a valuable asset. Our fundamental approach to improving operations is listening to what customers say in order to improve services constantly and enhance customer satisfaction.

We use suggestions and other information from customers to launch new products and services and upgrade existing ones.

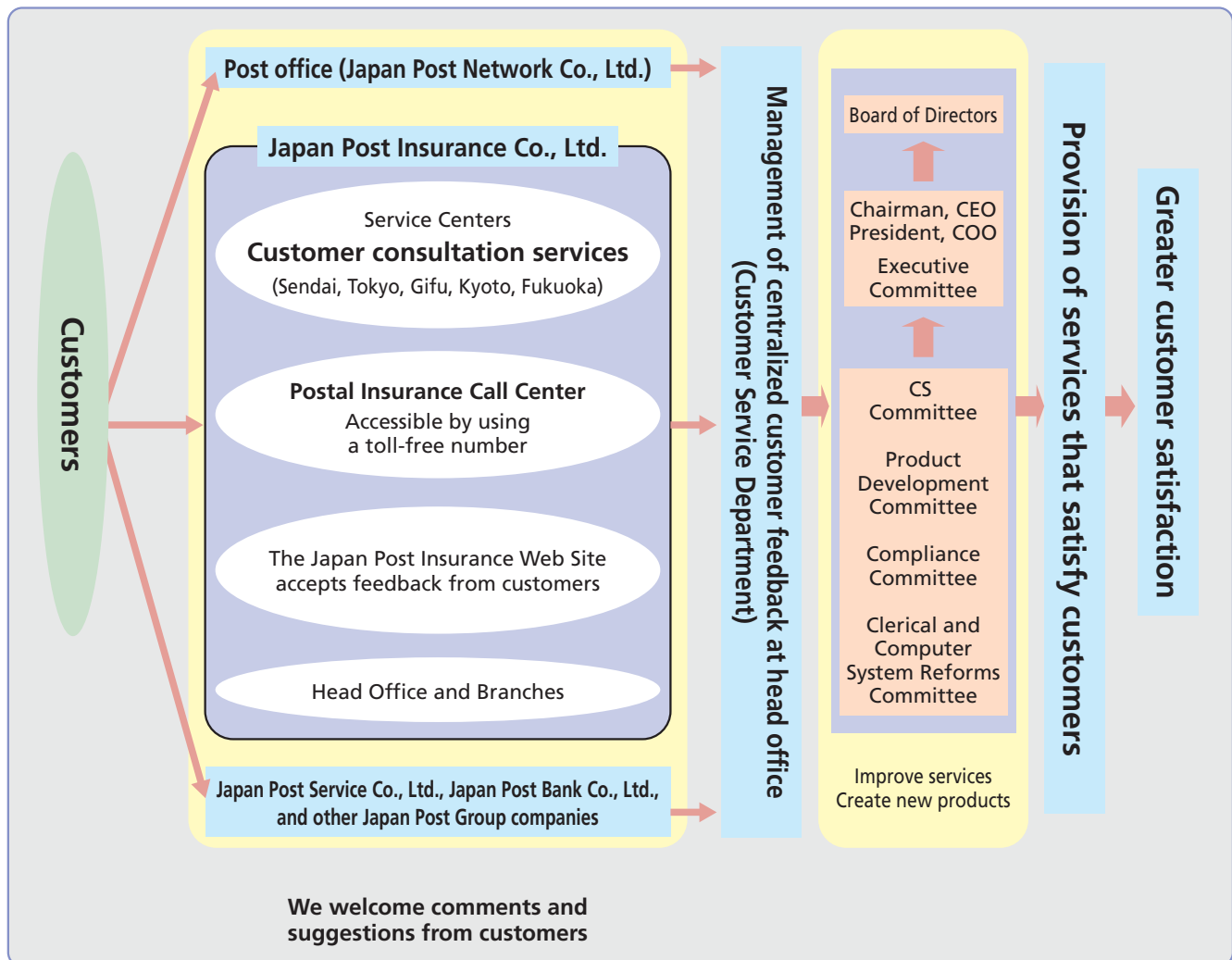
Furthermore, we take actions to ensure that the executives and all other employees at the company take customers' opinions seriously and base their behavior on this information. This commitment is key to maintaining sound and proper business operations.

1. Using Every Comment to Improve Customer Satisfaction

We collect and analyze all information received from customers to identify management issues that require our attention. We use this information to improve services, develop products, and take

other actions that can achieve a higher level of customer satisfaction.

Flowchart for Using Customer Input for Improving Operations



Note: Japan Post Insurance does not hold policyholder discussion groups at this time.

2. Summary of Customer Feedback

The following table presents the major categories of complaints received from customers between October 1, 2007, and March 31, 2008.

| Subject | October 2007 to March 2008 | |
|--|----------------------------|------------|
| | | % of total |
| Issues regarding purchase of insurance policy | 5,684 | 7.7% |
| Issues regarding payment of premiums | 5,084 | 6.9% |
| Issues regarding procedures, dividends, and other items after purchase of policy | 8,713 | 11.9% |
| Issues regarding payment of insurance benefits and annuities | 24,381 | 33.2% |
| Issues regarding payment certificates | 23,625 | 32.2% |
| Other items | 5,988 | 8.1% |
| Total | 73,475 | 100.0% |

Note: Japan Post Insurance defines as complaints all customer expressions of dissatisfaction.