Japan Post Group Highlights in Fiscal 2009

CONTENTS

Japan Post Group Overview
1. Message from the President .................................................. 8
2. The Operations of the Japan Post Group .................................. 10
4. Group Company Messages ................................................... 22

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 ............................................... 44
4. Operations of Japan Post Insurance ........................................ 49
5. Other Businesses .................................................................. 54

Dedicated to Becoming an Even More Trustworthy Group
1. Japan Post Group Corporate Governance ............................... 58
2. Japan Post Group Compliance Framework ............................... 60
3. Japan Post Group Internal Audit System ................................. 64
4. Japan Post Group Risk Management ....................................... 66
5. Japan Post Group Customer Satisfaction ................................. 70
6. Japan Post Group CSR ......................................................... 72
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, 2009.
1. Message from the President

I am pleased to have this opportunity to explain the business results and operations of the Japan Post Group to our customers, investors and other stakeholders in this annual report for fiscal 2009. We hope this annual report will deepen your understanding of the Japan Post Group.

Review of Fiscal 2009

Looking at our business results for fiscal 2009 (April 1, 2008 to March 31, 2009), consolidated net ordinary income amounted to ¥830.5 billion and net income after tax was ¥422.7 billion. Despite the effects of the economic downturn and sluggish stock markets caused by the global financial crisis, particularly during the second half of the fiscal year, I believe the Japan Post Group performed well during the year. In addition to the success of group-wide initiatives to curb costs, these results also underscored solid performances by each Group company, including a slowing of the rate of decline of total deposits at Japan Post Bank, an increase in new insurance policies at Japan Post Insurance and a rise in the volume of Yu-Pack parcels handled by Japan Post Service.

Fiscal 2009 marked our first full year of operation as a privatized company. While continuing to offer the services inherited from Japan Post, which have a highly public nature, we have been building a business foundation that will enable customers to realize that we have enhanced our services through privatization by providing them with a diverse array of high-quality products and services.

As specific measures in working toward this objective, we are striving to maintain the nationwide post office network by increasing the number of regions where temporarily closed contracted post offices resume operations. In parallel, we have expanded the scope of business handled and regions served via mobile post offices and the provision of visiting services by sales personnel in rural areas. To help mitigate any inconveniences caused by decreases in service resulting from the elimination of comprehensive business, post offices have adopted an array of innovative approaches and are making unified responses to customers. Such measures include providing financial services by directly visiting customers in their homes and commencing mail collection using four-wheeled mini-vehicles.

In the wake of our privatization, we have also launched an array of new products and services that include variable annuities, third-sector insurance products, life insurance for companies (for management-level personnel) and Sono hi kara, a hospitalization rider for insurance policies. We also commenced fund transfers with other financial institutions throughout Japan by joining the Zengin Data Telecommunication System, Japan’s major payment and inter-bank settlement system for depository institutions. By providing these products and services in this manner, we are determined to maintain a long tradition of supporting customers in all areas of their lives using a variety of formats.

We also enhanced convenience for customers by collaborating with companies possessing an abundance of know-how in various fields. Such collaborative initiatives included the establishment of JP Express Co., Ltd. for integrating the parcel delivery operations of Japan Post Service and Nippon Express Co., Ltd., as well as the commencement of intermediary services for providing home mortgage loans and other consumer loans via an alliance with Suruga Bank Ltd. At the same time, we moved to raise customer convenience by filing requests with the relevant government authorities for loosening restrictions on amount limits for products handled by Japan Post Bank and life insurance products sold by Japan Post Insurance.

Meanwhile, we continue to place top priority on raising levels of compliance and are undertaking ongoing measures to strengthen internal controls. Despite these efforts, we were regrettably involved in an incident pertaining to the misuse of the postal discount system for third-class mail intended for use by persons with disabilities as well as an incident in which a railway mail container and sea mail parcels were left unattended. In view of these incidents, we are determined to implement thorough measures to prevent any such recurrences. We will also use these incidents as an opportunity to further bolster our group-wide compliance structure and to build frameworks to ensure all operations are executed properly.

Issues for the Future

The companies comprising the Japan Post Group aim to make a public offering, and each company will focus on strengthening its operational foundation and earnings power to realize a growth trajectory over the medium and long term.

To achieve these objectives, I believe that first of all we must optimally utilize the Group’s wide diversity of management resources. At the same time, it will be necessary to dramatically simplify business operational flows, mainly at post office counters, as well as to combine strategic investments, beginning with those for systems. In particular, we will fully utilize the extensive customer base of our nationwide network of post offices—the Group’s greatest strength—and make the efficient and stable operation of post offices a source of our competitiveness. The new businesses launched after privatization are still in their infancy, and we will adopt a host of innovative measures to nurture these businesses into future pillars of earnings.

As we undertake these management tasks, I believe we must also work to maximize corporate value of the entire Group. To do so, each Group company must continually strive to function independently as a leader in its respective business field while also strengthening collaboration from the perspectives of realizing overall optimization and achieving sustainable growth for the Japan Post Group. I am confident that we can fully utilize the Group’s total capabilities by combining the unique strengths of each company in this manner and thus achieve our goal of raising the Group’s corporate value.
We received various opinions and suggestions in the “Opinions of the Postal Services Privatization Committee Regarding the Comprehensive Review of the Progress of the Privatization of Japan Post” announced in March 2009. We will work to improve our operations based on these opinions and suggestions.

Regarding problems related to the contract for the bundled transfer of Kanpo no Yado inns, we seriously take to heart the business improvement order from the Minister of Internal Affairs and Communications. We are reflecting upon all necessary points and have formulated the requisite steps for making improvements and correcting the matters cited. At the same time, we are working to strengthen our corporate governance, raise fairness and transparency, and further enhance our accountability.

While using the expectations of stakeholders as a force for driving our reforms, all members of the Japan Post Group are working together with tireless resolve to offer a new type of “genuine postal services” that will give stakeholders a real sense that we are achieving growth and development as a private-sector company. As we work toward these objectives, we look forward to your continued support.

Yoshifumi Nishikawa
President & CEO
Japan Post Holdings Co., Ltd.
July 2009
The locations of post offices are indicated as dots on the map of Japan to the right. With 24,539 locations, this network covers all of Japan’s 1,800 cities, towns and villages. These post offices, which serve as bases for various services including postal, banking and insurance services that are offered by the Japan Post Group, have become an integral part of local communities for many years and the Japanese public has come to greatly appreciate this extensive network.

Looking to the future, we will redouble our efforts to maintain and upgrade this network and will undertake innovative approaches to further raise convenience for our customers. While placing high value on instilling a sense of “confidence” and “trust” in the numerous customers who use our services, we are committed to making group-wide efforts to create “Atarashii-Futsu.”

Initiatives currently being undertaken are explained below.

Notes:
1. A Japanese expression by which we intend to show the creation of new value services.
2. Includes special wards of Tokyo

Post Offices in Japan (As of March 31, 2009)

<table>
<thead>
<tr>
<th>Directly operated post offices (including branch offices)</th>
<th>20,246</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted post offices</td>
<td>4,293</td>
</tr>
<tr>
<td>Total</td>
<td>24,539</td>
</tr>
</tbody>
</table>

Note: Includes nine post offices and 354 contracted post offices that are temporarily closed.
1. Measures for Maintaining and Upgrading Our Network of Post Offices

- Using our nationwide network of post offices, we offer universal services such as postal, banking and insurance services that are an indispensable part of people’s lives.

- To maintain the level of our post office network, we are implementing measures focused on our temporarily closed contracted post offices.
  (Refer to pages 28 and 29.)

1) We are taking measures to resume operations at contracted post offices that include reviewing handling fees paid to operators of contracted post offices.

2) We are providing alternate services in regions where contracted post offices are temporarily closed including mobile post offices and the provision of visiting services by sales personnel in rural areas.

- In response to opinions that privatization has resulted in a decline in customer convenience, we are making the following improvements.

Example 1

“At post offices that provided services in all three businesses, external staff would handle the payment of withdrawals from savings accounts while delivering mail. After privatization, however, the staff of Japan Post Service stopped handling these payments.”

At post offices in less-populated areas, we have appointed persons to be in charge of customer visits and began providing “home-visit financial services” that respond promptly to customer requests made by telephone and other means. (June 2009)

Example 2

“Our cargo used to be collected until recently. However, after Japan Post Network and Japan Post Service were spun off as separate companies, the post office no longer sends a vehicle to collect our cargo.”

Some post offices have introduced four-wheeled mini-vehicles and commenced Yu-Pack collection service. (March 2009)

Example 3

“Waiting times at post office counters have increased.”

We have simplified procedures, which include eliminating detailed customer code checks* when replacing passbooks. (September 2008)

- Detailed customer code checks: To ensure limits on saving account amounts are strictly administered, these checks are made when replacing passbooks to confirm that the savings of a different person with the same name and date of birth have not been mixed into the account.
2. Measures to Assure “Confidence” and “Trust”

- Each Japan Post Group company has built its own governance structure. At the same time, Japan Post Holdings monitors Group operations to ensure proper governance for the Group as a whole. (Refer to pages 58 and 59.)

- Raising the level of compliance for the entire Japan Post Group is a top-priority issue. Accordingly, we have established a line of report for compliance, formulate a compliance program annually, and confirm and evaluate the status of initiatives taken under this program on a regular basis. Additionally, we have established the Internal Audit Department that is independent from divisions involved in executing business operations, whereby this department implements internal audits based on independent and objective perspectives. (Refer to pages 60 to 65.)

- With an emphasis on preventing risk from spreading among Japan Post Group companies, we are building a risk management system covering the entire Group. Japan Post Bank and Japan Post Insurance, both of which aim for a public listing, are also building adequate risk management systems as independent financial institutions and carrying out autonomous risk management. (Refer to pages 66 to 69.)

- Giving the highest priority to customers’ viewpoints, we utilize their suggestions, ideas and other feedback and are making efforts to promote CS*1 to ensure that we can offer products and services that are truly acclaimed by customers. (Refer to page 70.)

- Besides our long-standing social and community contribution activities carried out prior to privatization, including the Himawari Service, third-class and fourth-class mail, radio exercises and emergency handing of mail, financial services and insurance services in times of disasters, we are also engaging in new CSR*2 activities such as the Japan Post Forest program. (Refer to pages 72 to 77.)

- In fiscal 2009, we were involved in an incident in which a railway mail container and sea mail parcels were left unattended as well as an incident pertaining to the misuse of the postal discount system for third-class mail intended for use by persons with disabilities. We are implementing measures to prevent any recurrences of such incidents and are also building and establishing a structure to ensure the proper operation of various systems and to ensure our business operations are carried out correctly. Regarding the management of insurance benefit payments, we are verifying the details of insurance benefits paid during the period when payments were handled by Japan Post and are working to solve any problems. Concerning problems related to the transfer of Kanpo no Yado inns, we are adhering to the stipulations of the report issued by the Minister of Internal Affairs and Communications on June 24, 2009 and are making improvements and necessary corrections. (Refer to pages 39, 50 and 54.)

*1 Customer Satisfaction
*2 Corporate Social Responsibility
3. Measures for Creating “Atarashi-Futsu”

Privatization has paved the way for the Japan Post Group to launch a variety of new businesses, including those that offer new products and services which accurately meet customer needs. We believe these new businesses will contribute to more stable operations and an improved earnings structure as we prepare for a stock market listing as early as fiscal 2010.

Example of New Businesses

- Issuance of the JP BANK CARD, a credit card, commenced. (May 2008)
  (Refer to page 47.)

- Agency business of life insurance products, including variable annuities, started. (May 2008)
  (Refer to pages 34 and 47.)

- Intermediary services, including for mortgage loans, commenced. (May 2008)
  (Refer to page 47.)

- Preparations started for establishing a business utilizing land owned by Japan Post Network including land at the site of the Tokyo Central Post Office. (June, etc., 2008)
  (Refer to page 33.)

> Currently pending requests to government for legal revisions>

- Request for elimination of amount limits for liquid deposits and request for raising of insurance enrollment amount limits after a prescribed period of time elapses following initial enrollment. (Request submitted in April 2008.)
  (Refer to pages 45 and 50.)

- Request related to amount limits for third-sector products (cancer insurance). (Request submitted in March 2009.)
  (Refer to page 50.)

- JP Express Co., Ltd. established for integrating parcel delivery operations with Nippon Express Co., Ltd. (June 2008)
  (Refer to page 39.)

- JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd. established to engage in the international logistics business. (July 2008)
  (Refer to pages 38 and 39.)

- Sales of Japan Post Insurance hospitalization rider, Sono hi kara, started. (July 2008)
  (Refer to page 52.)

- Fund transfer service initiated by joining the Zengin Data Telecommunication System. (January 2009)
  (Refer to page 44.)

- To spread risk in investment management operations and diversify sources of income in the banking and life insurance businesses, and thereby strengthen our business foundation, we have steadily begun dealing with syndicated loans (participation type), trust beneficiary rights, interest rate swaps, loan acquisitions and other financial instruments. (Refer to pages 45 and 50.)

- With the aim of realizing easy-to-use post offices for our customers, we have begun establishing totally new types of post offices, including large-scale post offices and those inside commercial facilities. (Refer to page 29.)
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, required for the self-reliant management of our four businesses.

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 aim to dispose of the shares of Japan Post Bank and Japan Post Insurance as soon as possible. Japan Post Holdings will prepare to go public at about the same time as these two Group companies.

5. 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.
The Japan Post Group will fully utilize the freedom gained by each Group company from the privatization. We will also reinforce internal controls, observe laws and regulations, improve efficiency and take other actions to maintain the strict discipline required to succeed as a private-sector organization. We believe that using these measures to make each company self-reliant and a leader in its respective business field will maximize the value of the entire Japan Post Group.

Japan Post Holdings will achieve this goal in its role as the Group’s holding company, providing the required investments and other support.

We will make steady progress in long-term corporate reforms by taking the following three steps.

1. Three Steps to Maximize the Japan Post Group’s Value

Step 1
As private-sector companies, each Group company upgrades its skills and builds a sound foundation
- Going public: Japan Post Bank, Japan Post Insurance and Japan Post Holdings

Step 2
Achieve the self-reliant growth of each Group company while making strategic investments even more quickly
- Diversify and strengthen the profit structure of each Group company

Step 3
Aim for a new growth trajectory after Japan Post Holdings disposes of all stock in Japan Post Bank and Japan Post Insurance

2. The Desired Shape of Group Companies

Japan Post Network
Serving as a sales base for the Japan Post brand, Japan Post Network will maintain partnerships with Japan Post Service, Japan Post Bank and Japan Post Insurance and will provide new financial products and services to customers nationwide as a financial services agent. The company will also achieve growth by adding new services that utilize its nationwide network of post offices.

Japan Post Service
Using postal mail as its business foundation, Japan Post Service will fulfill its responsibility to provide universal services while taking full advantage of its strategic freedom as a private-sector company. By adopting this approach, Japan Post Service will achieve growth while prevailing over intense competition in all business sectors that include mail, logistics, international logistics and other activities.

Japan Post Bank
Japan Post Insurance
To prepare for full privatization, both companies plan to become self-reliant financial institutions by complying with strict rules and standards for customer protection, investor protection and fair competition. In addition, the two companies will upgrade their specialized skills in risk management, investment management and the development of financial products, and will each transform into organizations befitting private-sector financial institutions.
4. Organization and Group Companies

(As of July 1, 2009)

Japan Post Holdings Co., Ltd.

Japan Post Network Co., Ltd.
Subsidiary (1)
Post Office Business Support Co., Ltd.

Japan Post Service Co., Ltd.
Subsidiaries (7)
JP Logi Service Co., Ltd.
JP Biz Mail Co., Ltd.
JP Logistics Partners Co., Ltd.
JP Media Direct Co., Ltd.
JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd.
Japan Post Transport Co., Ltd.
JP Express Co., Ltd.

Affiliated company (1)
ANA & JP Express Co., Ltd.

Japan Post Bank Co., Ltd.
Affiliated company (1)
SDP Center Co., Ltd.

Japan Post Insurance Co., Ltd.

Japan Post Staff Co., Ltd.

Yusei Challenged Co., Ltd.
Privatization Scheduled to be Completed by September 2017

Following a preparatory period that ended in September 2007, Japan Post was privatized on October 1, 2007 and became the Japan Post Group. The next 10 years are positioned as a transition period that is to end in September 2017 with the full privatization of the Japan Post Group.

Specifically, under the Postal Services Privatization Act, Japan Post Holdings is to dispose of all of its stock in Japan Post Bank and Japan Post Insurance. These two financial services companies plan to go public as early as fiscal 2010 to become self-reliant as soon as possible. The goal is for Japan Post Holdings to dispose of all of its stock in Japan Post Bank and Japan Post Insurance within five years after both companies’ initial public offering. Japan Post Holdings as well is preparing for an initial public offering that is to take place at about the same time as at the two financial services companies.

1. Consolidated Summary (April 1, 2008 to March 31, 2009)

The Japan Post Group’s consolidated net ordinary income was ¥830.5 billion and net income was ¥422.7 billion. At the end of the fiscal year, total assets amounted to ¥305,894.4 billion and net assets amounted to ¥8,746.1 billion.

1. Results of Operations (Year ended March 31, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Japan Post Group (consolidated)</th>
<th>Japan Post Holdings (non-cons.)</th>
<th>Japan Post Network (non-cons.)</th>
<th>Japan Post Service (non-cons.)</th>
<th>Japan Post Bank (non-cons.)</th>
<th>Japan Post Insurance (non-cons.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net ordinary income</td>
<td>¥830.5 billion</td>
<td>¥109.9 billion</td>
<td>¥83.8 billion</td>
<td>¥58.9 billion</td>
<td>¥385.2 billion</td>
<td>¥214.2 billion</td>
</tr>
<tr>
<td>Net income</td>
<td>¥422.7 billion</td>
<td>¥109.0 billion</td>
<td>¥40.8 billion</td>
<td>¥29.8 billion</td>
<td>¥229.3 billion</td>
<td>¥38.3 billion</td>
</tr>
</tbody>
</table>

(Reference: Year ended March 31, 2008)

<table>
<thead>
<tr>
<th></th>
<th>Japan Post Group (consolidated)</th>
<th>Japan Post Holdings (non-cons.)</th>
<th>Japan Post Network (non-cons.)</th>
<th>Japan Post Service (non-cons.)</th>
<th>Japan Post Bank (non-cons.)</th>
<th>Japan Post Insurance (non-cons.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net ordinary income</td>
<td>¥438.7 billion</td>
<td>¥37.8 billion</td>
<td>¥18.5 billion</td>
<td>¥113.7 billion</td>
<td>¥256.1 billion</td>
<td>¥11.9 billion</td>
</tr>
<tr>
<td>Net income</td>
<td>¥277.2 billion</td>
<td>¥42.5 billion</td>
<td>¥4.6 billion</td>
<td>¥69.4 billion</td>
<td>¥152.1 billion</td>
<td>¥7.8 billion</td>
</tr>
</tbody>
</table>

Notes: 1. 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.

2. Financial Condition (Year ended March 31, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Japan Post Group (consolidated)</th>
<th>Japan Post Holdings (non-cons.)</th>
<th>Japan Post Network (non-cons.)</th>
<th>Japan Post Service (non-cons.)</th>
<th>Japan Post Bank (non-cons.)</th>
<th>Japan Post Insurance (non-cons.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>¥305,894.4 billion</td>
<td>¥9,525.2 billion</td>
<td>¥3,256.5 billion</td>
<td>¥2,050.1 billion</td>
<td>¥196,480.7 billion</td>
<td>¥106,577.9 billion</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥297,148.2 billion</td>
<td>¥1,378.1 billion</td>
<td>¥3,012.1 billion</td>
<td>¥1,768.2 billion</td>
<td>¥188,301.2 billion</td>
<td>¥105,506.2 billion</td>
</tr>
<tr>
<td>Net assets</td>
<td>¥8,746.1 billion</td>
<td>¥8,147.1 billion</td>
<td>¥244.3 billion</td>
<td>¥281.9 billion</td>
<td>¥8,179.5 billion</td>
<td>¥1,072.7 billion</td>
</tr>
</tbody>
</table>

(Reference: Year ended March 31, 2008)

<table>
<thead>
<tr>
<th></th>
<th>Japan Post Group (consolidated)</th>
<th>Japan Post Holdings (non-cons.)</th>
<th>Japan Post Network (non-cons.)</th>
<th>Japan Post Service (non-cons.)</th>
<th>Japan Post Bank (non-cons.)</th>
<th>Japan Post Insurance (non-cons.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>¥327,588.2 billion</td>
<td>¥9,705.5 billion</td>
<td>¥3,286.4 billion</td>
<td>¥2,149.5 billion</td>
<td>¥212,149.1 billion</td>
<td>¥112,524.6 billion</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥319,276.8 billion</td>
<td>¥1,659.0 billion</td>
<td>¥3,081.8 billion</td>
<td>¥1,880.1 billion</td>
<td>¥204,072.3 billion</td>
<td>¥111,620.4 billion</td>
</tr>
<tr>
<td>Net assets</td>
<td>¥8,311.4 billion</td>
<td>¥8,046.5 billion</td>
<td>¥204.6 billion</td>
<td>¥269.4 billion</td>
<td>¥8,076.8 billion</td>
<td>¥904.2 billion</td>
</tr>
</tbody>
</table>

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 ¥305,894.4 billion, a year-on-year decrease of ¥1,693.8 billion. Assets included securities in the amount of ¥257,087.6 billion and loans and bills discounted in the amount of ¥22,376.5 billion. Consolidated total liabilities at the end of the fiscal year were ¥297,148.2 billion, a year-on-year decrease of ¥22,128.5 billion. Liabilities included deposits in the amount of ¥176,416.7 billion and policy reserves in the amount of ¥102,727.2 billion.

After excluding ¥8.5 billion in dividends within retained earnings and adding consolidated net income of ¥422.7 billion, net assets rose from ¥8,311.4 billion at the end of the previous fiscal year-end to ¥8,746.1 billion. Net assets included net unrealized losses on available-for-sale securities in the amount of ¥11.9 billion.

As of March 31, 2009, the consolidated capital adequacy ratio (domestic standard) was 67.62%.
### 3. Consolidated Financial Highlights (April 1, 2008 to March 31, 2009)

**Consolidated Results of Operations**

<table>
<thead>
<tr>
<th>Ordinary income</th>
<th>Net ordinary income</th>
<th>Net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$19,961,705 million</td>
<td>$830,565 million</td>
<td>$422,793 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2009)</td>
</tr>
<tr>
<td>$10,097,968 million</td>
<td>$438,739 million</td>
<td>$277,290 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
</tr>
</tbody>
</table>

**Net income per share**

| (Year ended March 31, 2009) | $2,818.62 | — |
| (Year ended March 31, 2008) | $3,555.00 | — |

**Return on equity**

| (Year ended March 31, 2009) | 5.0% | 4.2% |
| (Year ended March 31, 2008) | 6.4% | 4.3% |

(Reference) Equity in losses of affiliates

Fiscal year ended March 31, 2009: ¥714 million  Fiscal year ended March 31, 2008: ¥26 million

Notes:
1. Because there was no dilution, the amount for net income per share after dilution is omitted.
2. Fiscal year ended March 31, 2008 is ¥1,989.94.

**Financial Condition**

<table>
<thead>
<tr>
<th>Total assets</th>
<th>Capital adequacy ratio</th>
<th>Net assets per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>$305,894,430 million</td>
<td>2.9%</td>
<td>$327,588,290 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2009)</td>
</tr>
<tr>
<td>$132,904 million</td>
<td>2.5%</td>
<td>$132,904 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th>Consolidated capital adequacy ratio (domestic standard)</th>
<th>(Reference) Equity capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,746,172 million</td>
<td>67.62%</td>
<td>Fiscal year ended March 31, 2009: ¥8,745,212 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2009)</td>
</tr>
<tr>
<td>$8,311,433 million</td>
<td>60.91%</td>
<td>Fiscal year ended March 31, 2008: ¥8,306,152 million</td>
</tr>
</tbody>
</table>

(Reference) Equity capital

Fiscal year ended March 31, 2009: ¥8,745,212 million  Fiscal year ended March 31, 2008: ¥8,306,152 million

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 pursuant to Article 52–25 of the Banking Act, the bank holding company is required to calculate its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, Financial Services Agency’s Notice No. 20, March 27, 2006, 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.

### 2 Japan Post Holdings Financial Highlights (April 1, 2008 to March 31, 2009)

Japan Post Holdings is a holding company that operates hospitals and hotels and also provides shared services to Group companies. Ordinary income was ¥307.1 billion, net ordinary income was ¥109.9 billion and net income was ¥109.0 billion.

**Results of Operations**

<table>
<thead>
<tr>
<th>Operating income</th>
<th>Net operating income</th>
<th>Net ordinary income</th>
<th>Net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥303,099 million</td>
<td>¥107,173 million</td>
<td>¥109,919 million</td>
<td>¥109,026 million</td>
</tr>
<tr>
<td>¥132,904 million</td>
<td>¥34,369 million</td>
<td>¥37,824 million</td>
<td>¥42,598 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net income per share</th>
<th>Diluted net income per share</th>
<th>Net ordinary income/Ordinary income</th>
<th>Net ordinary income/Ordinary income</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥726.84</td>
<td>¥546.13</td>
<td>1.1%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Return on equity</th>
<th>Net ordinary income/Total assets</th>
<th>Net ordinary income/Ordinary income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3%</td>
<td>1.1%</td>
<td>35.4%</td>
</tr>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2009)</td>
</tr>
<tr>
<td>1.0%</td>
<td>0.8%</td>
<td>25.9%</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
</tr>
</tbody>
</table>

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

**Financial Condition**

<table>
<thead>
<tr>
<th>Total assets</th>
<th>Capital adequacy ratio</th>
<th>Net assets per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,525,259 million</td>
<td>85.5%</td>
<td>$9,705,592 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2009)</td>
</tr>
<tr>
<td>$9,354 million</td>
<td>82.9%</td>
<td>$9,534 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
<td>(Year ended March 31, 2008)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th>(Reference) Equity capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,147,114 million</td>
<td>Fiscal year ended March 31, 2009: ¥8,147,114 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2008)</td>
</tr>
<tr>
<td>$8,046,551 million</td>
<td>Fiscal year ended March 31, 2008: ¥8,046,551 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>(Year ended March 31, 2008)</td>
</tr>
</tbody>
</table>
Japan Post Network recorded an increase in operating income owing to resumption of sales activities at post offices while curbing increases in operating expenses. As a result, ordinary income amounted to ¥1,326.1 billion and net ordinary income was ¥83.8 billion.

### Results of Operations

<table>
<thead>
<tr>
<th>Operating income (Year ended March 31, 2009)</th>
<th>¥1,293,229 million</th>
<th>Net operating income (Year ended March 31, 2009)</th>
<th>¥68,375 million</th>
<th>Net ordinary income (Year ended March 31, 2009)</th>
<th>¥83,880 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (Year ended March 31, 2009)</td>
<td>¥1,326.1 billion</td>
<td>Diluted net income per share (Note)</td>
<td>¥10,210.97</td>
<td>Return on equity (Year ended March 31, 2009)</td>
<td>18.2%</td>
</tr>
<tr>
<td>Net ordinary income/Total assets</td>
<td>2.6%</td>
<td>Net ordinary income/Ordinary income</td>
<td>5.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share (Year ended March 31, 2009)</td>
<td>¥1,326.1 billion</td>
<td>(Note)</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity (Year ended March 31, 2009)</td>
<td>18.2%</td>
<td>Diluted net income per share (Note)</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net ordinary income/Total assets</td>
<td>2.6%</td>
<td>Return on equity (Year ended March 31, 2008)</td>
<td>2.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share (Year ended March 31, 2009)</td>
<td>¥10,210.97</td>
<td>Net ordinary income/Ordinary income</td>
<td>1.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity (Year ended March 31, 2008)</td>
<td>2.3%</td>
<td>(Note)</td>
<td>—</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### Financial Condition

<table>
<thead>
<tr>
<th>Total assets (Year ended March 31, 2009)</th>
<th>¥3,256,547 million</th>
<th>Net assets (Year ended March 31, 2009)</th>
<th>¥244,352 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital adequacy ratio (Year ended March 31, 2009)</td>
<td>7.5%</td>
<td>Net assets per share (Year ended March 31, 2009)</td>
<td>¥61,088.12</td>
</tr>
</tbody>
</table>
| (Reference) Equity capital Fiscal year ended March 31, 2009 | ¥281,928 million | Capital adequacy ratio (Year ended March 31, 2008) | 6.2% *
| Net assets per share (Year ended March 31, 2009) | ¥1,169.53 |
| (Reference) Equity capital Fiscal year ended March 31, 2008 | ¥269,487 million |

### Japan Post Service Financial Highlights (April 1, 2008 to March 31, 2009)

Japan Post Service handled a total of 23,929.94 million items, including 21,227.99 million items of mail, 277.06 million Yu-Pack parcels and 2,424.89 million Yu-Mail booklet parcels. Ordinary income was ¥1,887.4 billion, net ordinary income was ¥58.9 billion and net income was ¥29.8 billion.

### Results of Operations

<table>
<thead>
<tr>
<th>Operating income (Year ended March 31, 2009)</th>
<th>¥1,865,282 million</th>
<th>Net operating income (Year ended March 31, 2009)</th>
<th>¥44,888 million</th>
<th>Net ordinary income (Year ended March 31, 2009)</th>
<th>¥58,974 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income per share (Year ended March 31, 2009)</td>
<td>¥7,453.17</td>
<td>Diluted net income per share (Note)</td>
<td>—</td>
<td>Return on equity (Year ended March 31, 2009)</td>
<td>10.8%</td>
</tr>
<tr>
<td>Net ordinary income/Total assets</td>
<td>2.8%</td>
<td>Net ordinary income/Ordinary income</td>
<td>2.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share (Year ended March 31, 2009)</td>
<td>¥7,453.17</td>
<td>(Note)</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity (Year ended March 31, 2009)</td>
<td>10.8%</td>
<td>Diluted net income per share (Note)</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net ordinary income/Total assets</td>
<td>2.8%</td>
<td>Return on equity (Year ended March 31, 2008)</td>
<td>29.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share (Year ended March 31, 2009)</td>
<td>¥17,371.89</td>
<td>Net ordinary income/Ordinary income</td>
<td>9.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity (Year ended March 31, 2008)</td>
<td>29.6%</td>
<td>(Note)</td>
<td>—</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### Financial Condition

<table>
<thead>
<tr>
<th>Total assets (Year ended March 31, 2009)</th>
<th>¥2,050,151 million</th>
<th>Net assets (Year ended March 31, 2009)</th>
<th>¥281,928 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital adequacy ratio (Year ended March 31, 2009)</td>
<td>13.8%</td>
<td>Net assets per share (Year ended March 31, 2009)</td>
<td>¥70,482.09</td>
</tr>
</tbody>
</table>
| (Reference) Equity capital Fiscal year ended March 31, 2009 | ¥281,928 million | Capital adequacy ratio (Year ended March 31, 2008) | 12.5% *
| Net assets per share (Year ended March 31, 2009) | ¥67,371.89 | (Reference) Equity capital Fiscal year ended March 31, 2008 | ¥269,487 million |
Japan Post Bank carried out sales promotions and various campaigns in collaboration with Japan Post Network. As a result, deposits totaled ¥177,479.8 billion, deposits that included accrued interest amounted to ¥178,050.0 billion, ordinary income (revenues) was ¥2,488.5 billion, net ordinary income was ¥385.2 billion and net income was ¥229.3 billion.

### Results of Operations

<table>
<thead>
<tr>
<th>Ordinary income (Revenues)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥2,488,552 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥1,328,904 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net ordinary income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥385,243 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥256,171 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥229,363 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥152,180 million</td>
</tr>
</tbody>
</table>

Net income per share:
- (Year ended March 31, 2009): ¥1,529.08
- (Year ended March 31, 2008): ¥2,026.89 (Note 1)

Diluted net income per share:
- (Year ended March 31, 2009): —
- (Year ended March 31, 2008): —

Return on equity:
- (Year ended March 31, 2009): 2.8%
- (Year ended March 31, 2008): 3.8%

Net ordinary income/Total assets:
- (Year ended March 31, 2009): 0.1%
- (Year ended March 31, 2008): 0.2%

Net ordinary income/Ordinary income:
- (Year ended March 31, 2009): 15.4%
- (Year ended March 31, 2008): 19.3%

### Financial Condition

<table>
<thead>
<tr>
<th>Total assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥212,149,182 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥196,480,796 million</td>
</tr>
</tbody>
</table>

Capital adequacy ratio:
- (Year ended March 31, 2009): 4.1%
- (Year ended March 31, 2008): 3.8%

Net assets per share:
- (Year ended March 31, 2009): ¥54,530.49
- (Year ended March 31, 2008): ¥53,845.70

Consolidated capital adequacy ratio (domestic standard):
- (Year ended March 31, 2009): 92.09%
- (Year ended March 31, 2008): 85.90%

Fiscal year ended March 31, 2008: ¥904,250 million
Fiscal year ended March 31, 2009: ¥1,072,756 million
(Reference) Equity capital
Fiscal year ended March 31, 2008: ¥8,076,855 million
Fiscal year ended March 31, 2009: ¥8,179,574 million

Japan Post Insurance carried out sales promotions in collaboration with Japan Post Network and upgraded and expanded its lineup of products and services. As a result, new insurance policies for individuals amounted to 1.92 million policies, insurance premiums were ¥7,881.1 billion and core earnings were ¥432.4 billion. Retained income (reserve for price fluctuations in security investments and risk reserve) totaled ¥3,332.8 billion and the solvency margin ratio was 1,429.7% as of March 31, 2009.

### Results of Operations

<table>
<thead>
<tr>
<th>Ordinary income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥15,533,727 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥ 7,686,842 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net ordinary income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥214,285 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥11,991 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥38,316 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥7,686 million</td>
</tr>
</tbody>
</table>

Net income per share:
- (Year ended March 31, 2009): ¥1,915.83
- (Year ended March 31, 2008): ¥768.54 (Note 1)

Diluted net income per share:
- (Year ended March 31, 2009): —
- (Year ended March 31, 2008): —

Return on equity:
- (Year ended March 31, 2009): 3.9%
- (Year ended March 31, 2008): 1.7%

Net ordinary income/Total assets:
- (Year ended March 31, 2009): 0.2%
- (Year ended March 31, 2008): 0.0%

Net ordinary income/Ordinary income:
- (Year ended March 31, 2009): 1.4%
- (Year ended March 31, 2008): 0.2%

### Financial Condition

<table>
<thead>
<tr>
<th>Total assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Year ended March 31, 2009)</td>
<td>¥112,524,670 million</td>
</tr>
<tr>
<td>(Year ended March 31, 2008)</td>
<td>¥106,577,963 million</td>
</tr>
</tbody>
</table>

Capital adequacy ratio:
- (Year ended March 31, 2009): 1.0%
- (Year ended March 31, 2008): 0.8%

Net assets per share:
- (Year ended March 31, 2009): ¥45,212.54
- (Year ended March 31, 2008): —

Net income/Ordinary income:
- (Year ended March 31, 2009): 21%
- (Year ended March 31, 2008): 21%

Fiscal year ended March 31, 2008: ¥904,250 million
Fiscal year ended March 31, 2009: ¥1,072,756 million
(Reference) Equity capital
Fiscal year ended March 31, 2008: ¥904,250 million
Fiscal year ended March 31, 2009: ¥1,072,756 million

Notes:
1. Net income per share obtained by dividing net income following privatization on October 1, 2007 by the average number of shares of common stock during the six-month period ended March 31, 2008 is ¥1,019.41.
2. Because there was no dilution, the amount for net income per share after dilution is omitted.
Maximizing the benefits of privatization, Japan Post Network will offer new products and services in postal, banking and insurance services—the core business of post offices—that can more closely respond to the diverse needs of our customers. These efforts are in keeping with our management philosophy of offering 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.”

Turning to our performance in fiscal 2009, Japan Post Network worked to build a sales structure to maximize frontline capabilities and to promote collaboration with other companies in the Japan Post Group for holding such events as the post office fair. At the same time, we took steps to reduce personnel and non-personnel related expenses. As a result of these measures, Japan Post Network recorded operating income of ¥1,293.2 billion, net operating income of ¥68.3 billion, net ordinary income of ¥83.8 billion and net income of ¥40.8 billion.

Post offices serve as vital points of contact between the Japan Post Group and its customers and thus play a crucial role in the Group’s growth and development. In the future as well, we will strive to raise customer convenience and firmly establish compliance as part of efforts to create efficient and competitive sales bases through these post offices.

Specifically, backed by the strong trust of our customers and our extensive network of post offices that are deeply rooted in local communities, we will promote collaboration with Japan Post Service, Japan Post Bank and Japan Post Insurance to strengthen our sales capabilities and secure stable earnings. Moreover, as part of our strategy for establishing new earnings bases, we will expand the number of post offices handling new financial products and will undertake counter sales on a nationwide basis. At the same time, we will establish new businesses that make effective use of our real estate holdings.

On a different front, we are placing high priority on maintaining and utilizing our post office network. Accordingly, we are adopting various measures to quickly resume operations at temporarily closed contracted post offices and will continue to implement interim steps for immediate response such as providing counter services via mobile post offices as well as visiting services by sales personnel in rural areas. On the other hand, in regions where there is large demand for postal services, we are opening large-scale post offices on a trial basis.

Determined to maintain the trust of customers, all employees of Japan Post Network are committed to providing even higher quality services. We ask our customers for their continued patronage and use of our post offices as we strive to meet the expectations of all our stakeholders in the years ahead.

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.
For 130 years, the postal business was a government-operated entity that provided mail services to anyone, at any time and any place. This form of communication in Japan has been easily accessible as well as closely linked to people’s daily lives.

Japan Post Service commenced operations on October 1, 2007 with the privatization of Japan Post. While maintaining universal services for postal businesses, Japan Post Service is undertaking its business based on the management philosophy of creating a “network that sincerely connects people, businesses and society” by providing services that enable the public to enjoy secure, certain and speedy communications and logistics functions.

Japan Post Service faces a severe business environment, as the volume of mail is declining due to the growing use of email, while intense competition persists in the parcel delivery market. Moreover, during fiscal 2009, the volume of mail was sluggish owing to cutbacks in company communications and promotional expenses accompanying the rapid deterioration of the economy from the second half of the year. Under these challenging conditions, Japan Post Service made company-wide efforts to maintain quality, strengthen its sales capabilities and streamline its management structure, in addition to increasing the volumes of Yu-Pack and Yu-Mail items handled. As a result, Japan Post Service recorded a stable level of earnings in fiscal 2009, with net ordinary income amounting to ¥58.9 billion.

As part of our commitment to further enhancing our services, we are working to ensure that the integration of our parcel delivery operations with Nippon Express gets off to a smooth start, thereby strengthening our market competitiveness in the domestic logistics business.

Turning to the field of international logistics, in July 2008 Japan Post Service and Sankyu Inc. established JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd. as a jointly owned company. This company has begun operations mainly targeting diverse customer needs in China, Eastern Europe and Southeast Asia, where markets are expected to grow. The establishment of this company will also help Japan Post Service diversify and strengthen its overall earnings structure.

I firmly believe that maintaining the trust of our customers is crucial to fulfilling our mission of continuing to provide universal services for postal businesses. In fiscal 2009, however, we were involved in an incident in which a railway mail container and sea mail parcels were left unattended, as well as an incident pertaining to the misuse of the postal discount system for third-class mail intended for use by persons with disabilities. Regrettably, these incidents eroded the trust of customers and caused them major inconveniences.

To ensure that we execute our business properly in the future, we are actively strengthening internal controls that entail thorough internal audits, risk management and compliance, and are also building and establishing structures to ensure our business operations are carried out in an appropriate manner. At the same time, we will continue to provide our customers with high-quality services.

As Japan Post Service works to meet the diverse needs of our customers in the future, we ask all our stakeholders for their ongoing support.

Management Philosophy

**While maintaining universal services for postal businesses, Japan Post Service will create a “network that sincerely connects people, businesses, and society” by providing services that enable the public to enjoy secure, certain and speedy communications and 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 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.
The year ended March 31, 2009 was marked by extremely severe operating conditions, as the financial crisis that originated from the sub-prime mortgage problem spread to the real economy while the Japanese economy deteriorated at an unprecedented abrupt pace.

Under a stringent risk management system, Japan Post Bank carried out investment in Japanese government bonds and other high-grade bonds and secured stable income. We also made significant strides in upgrading and expanding our line of products and services. To this end, in May 2008 we began issuing credit cards (JP BANK CARD), selling individual variable annuities and offering consumer loan intermediary services. We further enhanced our services in January 2009 when we started offering fund transfers with other financial institutions throughout Japan. In terms of deposits, which have been trending downward in recent years, we worked in unison with post offices to undertake sales activities that included implementing preferential interest rate campaigns. Consequently, Japan Post Bank slowed the rate of decline in deposits, with total deposits amounting to ¥178 trillion at the end of the fiscal year, down ¥4.3 trillion from a year earlier. As a result of these activities, Japan Post Bank recorded solid business results, and net income amounted to ¥229.3 billion.

Japan Post Bank aims for a public listing in the coming years. With this in mind, during fiscal 2010 we will strive to achieve stable earnings and sustainable growth by implementing our business model of “undertaking our mainstay retail banking and investment businesses” and “utilizing our agency network of post offices.”

Our business strategies focus on strengthening collaborative ties with Japan Post Network to curb the downturn in total deposits and undertaking sound and stable operations. Concurrently, we will also take measures to ensure that we can continue to provide user-friendly products and services that earn the confidence and trust of customers throughout Japan.

Deploying a suitable structure for managing and controlling risk, we will expand our methods of managing investments to diversify sources of income and will use a more-advanced asset-liability management (ALM) system. We believe such measures will allow us to earn a more consistent stream of income. Additionally, we will strengthen internal controls and further improve compliance as well as the quality of our banking clerical operations. By taking such steps, we aim to establish a solid business foundation that spans our entire operations in the run-up to our initial public offering.

Backed by an expansive nationwide network of 233 directly operated branches and approximately 24,000 post offices that act as our agents, Japan Post Bank undertakes business adhering to its management philosophy of serving as “the most convenient and dependable bank in Japan,” with operations that are guided by the needs and wishes of our customers. To ensure that customers can enjoy the benefits of our privatization, everyone at Japan Post Bank is committed to providing a wider range of products and services which are better suited to our customers’ needs. In doing so, we will continue to engage in ongoing dialogues with all current and future customers.

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.
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 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 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.

Looking at our performance in fiscal 2009, in insurance sales we achieved expanded sales of new insurance policies compared with the previous year and thereby attained a turnaround in sales for the first time in seven years. This increase was due to a strengthened sales promotion system through cooperation with Japan Post Network and an upgraded and expanded lineup of products and services that included the launch of a new hospitalization rider, Sono hi kara. In our asset management operations, we adhered to our fundamental asset management policy of managing yen-denominated interest-bearing assets and systematically reduced the proportion of our equities and other risk asset holdings. By taking this approach, we were able to minimize the deterioration of our asset management performance despite the severe global financial and economic crises. As a result, net ordinary income amounted to ¥214.2 billion and net income was ¥38.3 billion. These figures represent sharp increases from net ordinary income of ¥119.9 billion and net income of ¥76.6 billion in the previous fiscal year. Additionally, we maintained a strong financial base and sustained highly sound operations, as evidenced by a solvency margin ratio of 1,429% and real net assets of ¥6.2 trillion.

At present, our most crucial management task is to perform checks on insurance benefit payments and address cases of unclaimed benefits. For insurance benefits paid during the period when payments were handled by Japan Post (April 2003 to September 2007), we are verifying whether appropriate payments were made to beneficiaries. Regarding unclaimed benefits during this same time period, we are repeatedly advising concerned parties to submit their claims. We deeply apologize for causing concern to customers and concerned parties in this matter. We believe that providing proper and quick payments of insurance benefits is the most fundamental and crucial function and responsibility of a life insurance company. Based on the results of checks on payments and other measures, the entire Japan Post Group will undertake concerted efforts to advise customers quickly and correctly and to make proper payments without fail. We intend to complete our verifications of payments of insurance benefits and to address the cases of unclaimed benefits as soon as possible. Also, to prevent recurrence in the future, we will strengthen our claims payment management system.

Japan Post Insurance aims to enhance business performance in the sales of new insurance policies and will work to build a foundation for supporting sustainable and stable growth and development in preparation for a public offering. To achieve these goals, offering new products and services that respond closely to customer needs is paramount. Accordingly, we are making an effort toward the realization of the raising of insurance enrollment limit amounts after a prescribed period of time elapses following initial enrollment, the launch of a cancer insurance product being developed in collaboration with Nippon Life Insurance Company and other initiatives.

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.” As we fulfill our social mission, we will continually consider the customer’s point of view in offering easy-to-understand, easy-to-use products and services. In all our endeavors, we would appreciate your continued support.

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

Japan Post Group Overview