

# Business Performance

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# 1. Japan Post Network Business Performance

## 1 Postal Operating Revenues and Mail Volume Handled

Operating revenues and the volume of mail handled associated with counter sales of postal services are shown below. The primary components of counter sales are postage stamps, postcards and EXPACK500 (¥500

parcels) together with the handling of domestic and international mail, Yu-Pack and Yu-Mail, EMS (international express mail) and other services.

(Millions of yen)

	Fiscal 2008	Fiscal 2009
<b>Total sales</b>	¥391,600	<b>¥683,526</b>

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

## 2 Time and TEIGAKU Deposits Handled

(Millions of yen)

	Fiscal 2008	Fiscal 2009
<b>New deposits</b>	¥14,851,000	<b>¥32,260,656</b>

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

## 3 Counter Sales of Japanese Government Bonds

(Millions of yen)

Category	Fiscal 2008	Fiscal 2009
<b>Long-term bonds</b>	¥ 37,516	<b>¥ 84,028</b>
<b>Medium-term bonds</b>	354,625	<b>747,189</b>
<b>Bonds for individuals</b>	220,497	<b>261,777</b>
<b>Total</b>	¥612,638	<b>¥1,092,994</b>

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

## 4 Investment Trust Sales

Japan Post Network sells investment trusts to meet the medium- and long-term savings and asset management needs of its customers. Investment trust sales are shown below.

Investment trust activities are divided into the following

categories: 1) sales activities, 2) agent services for payment of distributions and other payments, 3) transfer operations with account management agencies, and 4) purchases of investment trusts.

	Fiscal 2008	Fiscal 2009
<b>Number of trusts sold</b>	680,329	<b>1,010,339</b>
<b>Monetary sales</b> (Millions of yen)	¥ 95,749	<b>¥ 119,677</b>

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

## 5 Life Insurance and Annuity Sales

Sales of new policies were as follows.

### Individual Insurance

	Fiscal 2008	Fiscal 2009
Number of policies sold	557,918	1,800,248
Monetary amount (Millions of yen)	¥1,520,387	¥5,025,265

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

### Individual Annuities

	Fiscal 2008	Fiscal 2009
Number of policies sold	61,120	181,013
Monetary amount (Millions of yen)	¥212,463	¥620,633

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

## 6 Merchandise Sales

Japan Post Network has been directly operating a merchandise sales business since its establishment in October 2007.

The primary activity is sales promotion via catalogs.

(Millions of yen)

	Fiscal 2008	Fiscal 2009
Total sales	¥32,954	¥72,771

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

## 2. Japan Post Service Business Performance

### 1 Consigned Volume of Mail in Fiscal 2009

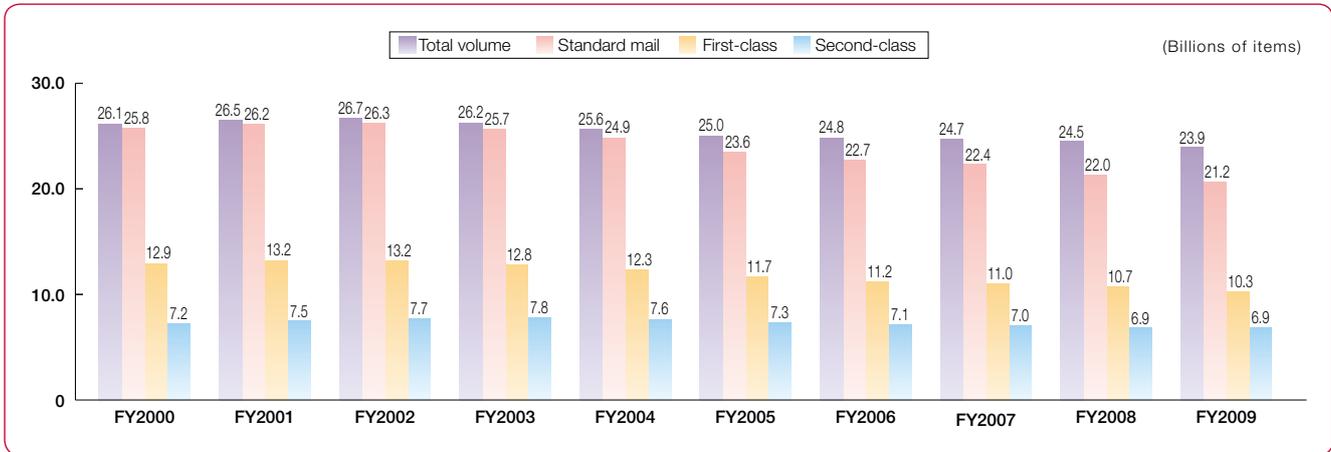
■ **Consigned Volume of Mail in Fiscal 2009: 23,929.94 million items, a decrease of 2.4% (592.55 million items) compared with one year earlier**

- (1) Standard mail: 21,227.99 million items, down 3.5% (766.64 million items)
- First-class mail: 10,332.28 million items, down 3.7% (397.21 million items)
  - Second-class mail: 6,867.69 million items, down 1.1% (78.31 million items)
- (2) International mail: 69.25 million items, down 4.8% (3.48 million items)
- (3) Parcels: 2,701.95 million items, up 6.9% (174.09 million items)
- Yu-Pack: 277.06 million items, up 2.0% (5.35 million items)
  - Yu-Mail: 2,424.89 million items, up 7.5% (168.74 million items)

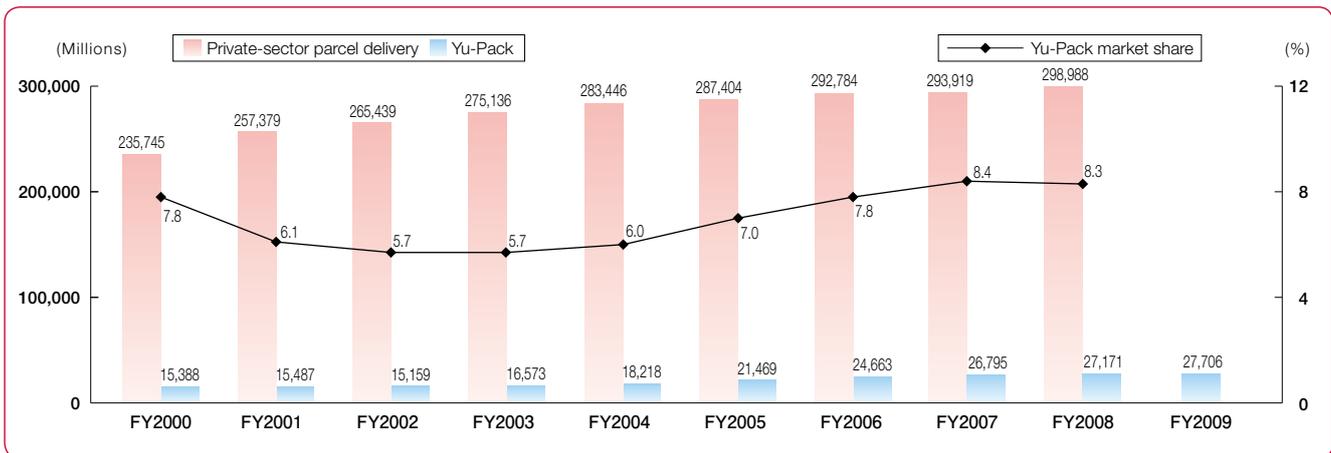
Category	Fiscal 2008		Fiscal 2009	
	Volume (thousand items)	Year-on-year change (%)	Volume (thousand items)	Year-on-year change (%)
<b>Total</b>	24,522,487	(0.6)	<b>23,929,935</b>	<b>(2.4)</b>
<b>Mail</b>	21,994,621	(1.6)	<b>21,227,985</b>	<b>(3.5)</b>
<b>Domestic</b>	21,921,898	(1.6)	<b>21,158,740</b>	<b>(3.5)</b>
Standard mail	21,317,816	(1.8)	<b>20,587,495</b>	<b>(3.4)</b>
First-class	10,729,495	(2.9)	<b>10,332,283</b>	<b>(3.7)</b>
Second-class	6,946,000	(0.7)	<b>6,867,688</b>	<b>(1.1)</b>
Third-class	532,923	(9.3)	<b>449,705</b>	<b>(15.6)</b>
Fourth-class	27,466	(7.9)	<b>25,785</b>	<b>(6.1)</b>
New Year's postcards	2,979,700	(1.8)	<b>2,900,641</b>	<b>(2.7)</b>
Election mail	102,233	537.3	<b>11,393</b>	<b>(88.9)</b>
Special mail	604,081	5.5	<b>571,245</b>	<b>(5.4)</b>
<b>International</b>	72,724	(3.9)	<b>69,245</b>	<b>(4.8)</b>
Standard mail	60,837	(5.1)	<b>57,835</b>	<b>(4.9)</b>
Parcels	1,568	5.7	<b>1,567</b>	<b>(0.1)</b>
EMS	10,319	2.5	<b>9,843</b>	<b>(4.6)</b>
<b>Parcels</b>	2,527,865	9.1	<b>2,701,950</b>	<b>6.9</b>
Yu-Pack	271,709	1.4	<b>277,057</b>	<b>2.0</b>
Yu-Mail	2,256,157	10.1	<b>2,424,893</b>	<b>7.5</b>

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

## 2 Total Consigned Volume of Mail

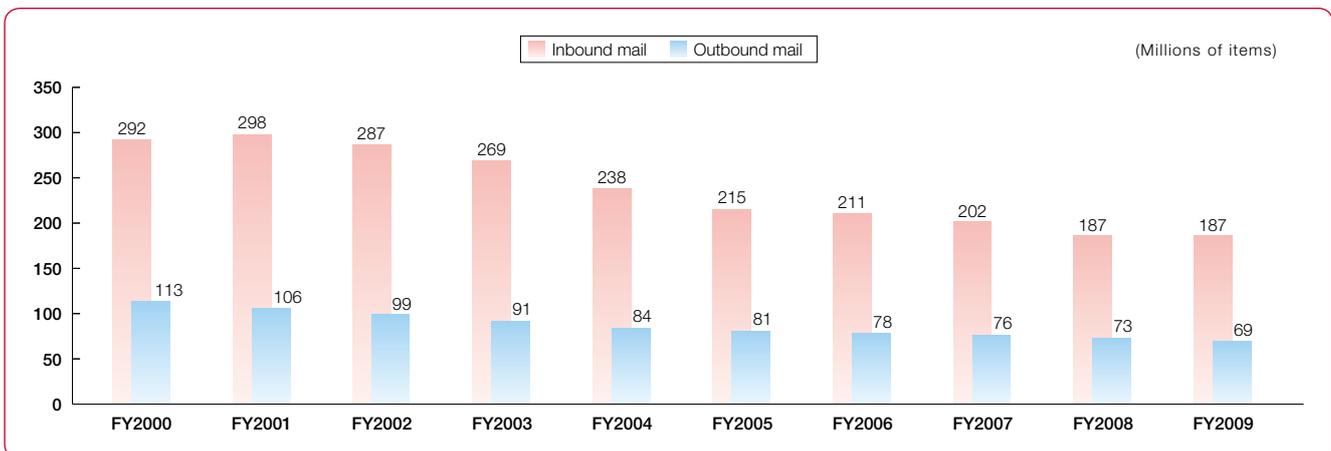


## 3 Yu-Pack and Private-Sector Parcel Delivery Volume and Market Share



Note: Fiscal 2009 private-sector parcel delivery volume has not yet been announced (as of June 30, 2009).

## 4 Volume of International Mail



## 5 Daily Mail Delivery Volume and Points

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

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

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

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

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

Survey results in fiscal 2009 were as follows.

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

	Fiscal 2008	Change (FY2007 results in parentheses)	Fiscal 2009	Change (Fiscal 2008 results in parentheses)
Nationwide average	97.8%	0.5% (97.3%)	<b>98.3%</b>	<b>0.5% (97.8%)</b>
For mail within the same prefecture	98.3%	0.2% (98.1%)	<b>98.6%</b>	<b>0.3% (98.3%)</b>
For mail to a neighboring prefecture	97.0%	0.5% (96.5%)	<b>97.8%</b>	<b>0.8% (97.0%)</b>
For mail to other prefectures	97.4%	1.0% (96.4%)	<b>98.1%</b>	<b>0.7% (97.4%)</b>

## 7 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	Fiscal 2008	Fiscal 2009
Revenue stamps	¥ 453,085	¥ 803,307
Automobile weight tax documentary stamps	608,094	1,121,981
Unemployment insurance documentary stamps	266	506
Health insurance documentary stamps	1,325	2,912
Patent documentary stamps	76,048	126,493
Registration documentary stamps	38,559	65,590
Total	¥1,177,377	¥2,120,789

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 for fiscal 2008 are for the period from October 1, 2007 to March 31, 2008.

## 8 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	Fiscal 2008	Fiscal 2009
Collection, delivery and transport outsourcing expenses	¥90,286	¥146,024

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

2. Figures for fiscal 2008 are for the period from October 1, 2007 to 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)

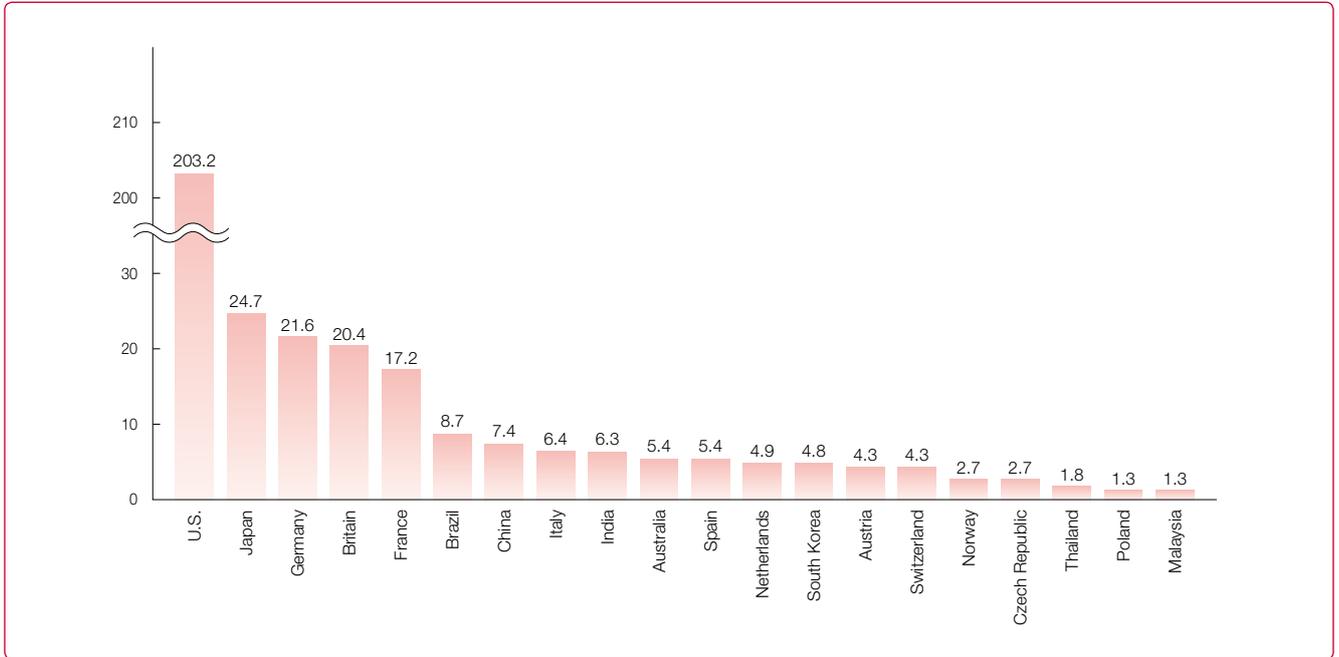
Category	Fiscal 2008	Fiscal 2009
Fees paid to locations selling postage stamps	¥13,667	¥23,571

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

## Reference: Postal Services in Other Countries

### 1. Volume of Mail Received (Top 20 Countries in 2007)

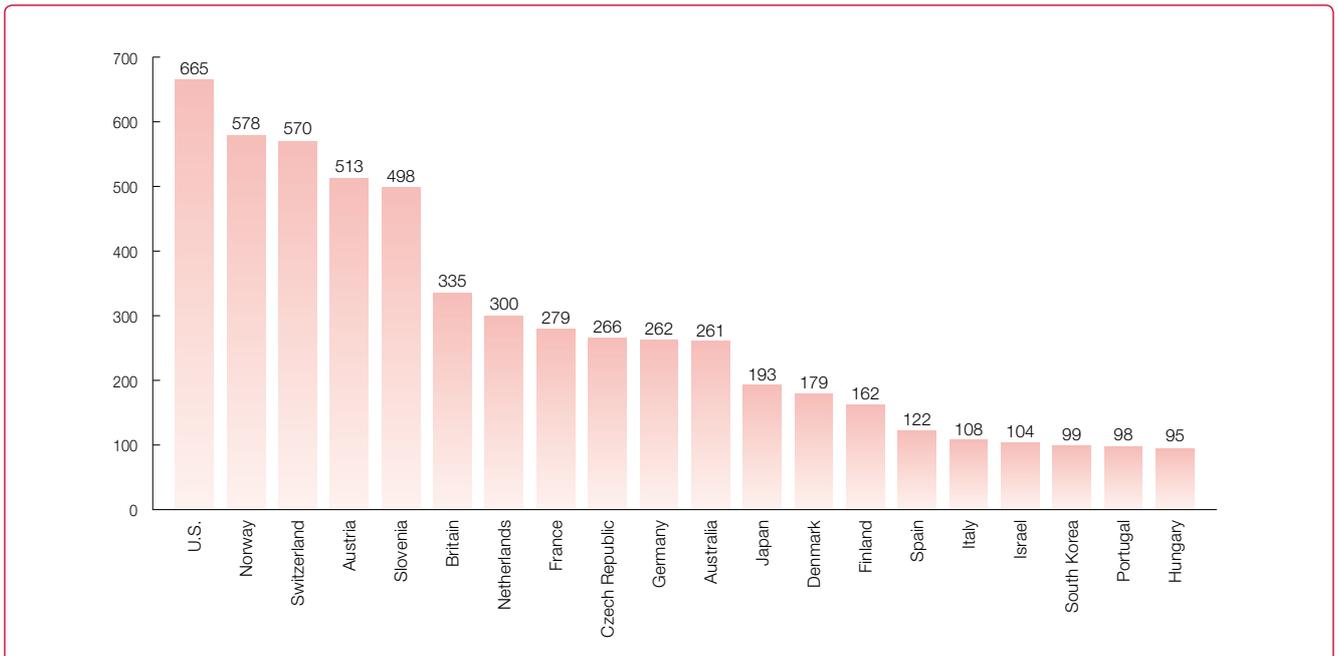
(Billions of items)



Source: Universal Postal Union Postal Operations Statistics (2007)

### 2. Annual Mail Volume Per Capita (Top 20 Countries in 2007)

(Items per person)



Source: Universal Postal Union Postal Operations Statistics (2007)

## Reference: International Comparison of Postage Rates

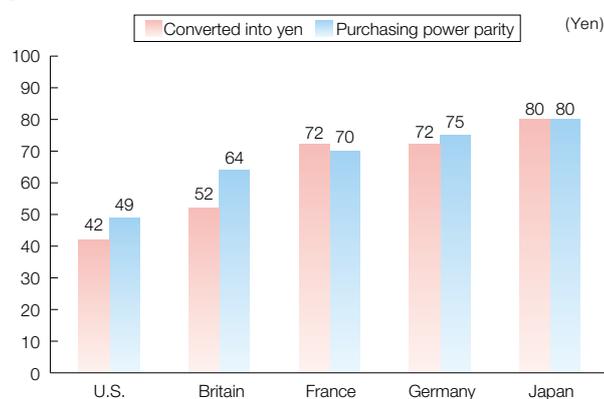
### ■ Comparison of Domestic Postage Rates

Based on conversions of foreign postage rates into yen, the domestic letter rate in Japan is slightly higher than those in major European countries (Britain, France, Germany) due to the effect of the strong yen since the latter half of 2008; however, postcard rates are still lower in Japan.

In the United States, the postage rates for both domestic letters and postcards are lower than in Japan. The reason is that the volume of mail handled in the United States is approximately eight times greater than in Japan (the amount of mail sent per capita is roughly threefold higher), thereby resulting in higher delivery efficiency.

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

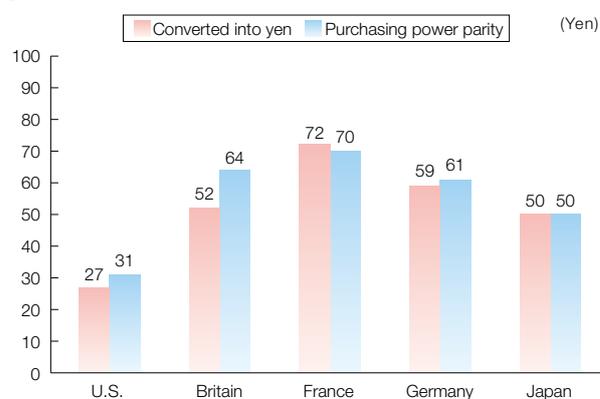
#### ● Letter rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.42	£0.36	€0.55	€0.55	¥80
Yen equivalent	¥42	¥52	¥72	¥72	¥80
Purchasing power parity	¥49	¥64	¥70	¥75	¥80

Notes: 1. Only Japanese postage rates include consumption tax.  
2. Yen conversions use the exchange rate as of March 31, 2009 (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 (2008 average OECD Main Economic Indicators).

#### ● Postcard rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.27	£0.36	€0.55	€0.45	¥50
Yen equivalent	¥27	¥52	¥72	¥59	¥50
Purchasing power parity	¥31	¥64	¥70	¥61	¥50

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥99.23	¥116.32
£1 (Britain)	¥144.45	¥178.17
€1 (France)	¥131.34	¥127.69
€1 (Germany)	¥131.34	¥136.67

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

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

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

	Air mail letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	-	¥110	-	¥70
U.S. to Japan	\$0.94	¥93	\$0.94	¥93
Britain to Japan	£1.22	¥176	£0.56	¥81
France to Japan	€1.70	¥223	€0.85	¥112
Germany to Japan	€2.20	¥289	€1.00	¥131

Note: Yen conversions use the exchange rate as of March 31, 2009 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

# 3. Japan Post Bank Business Performance

## 1 Key Financial Indicators

(Millions of yen)

	Fiscal 2008	Fiscal 2009
Revenues	¥ 1,328,904	¥ 2,488,552
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	302,859	480,602
Net operating profit	301,945	480,602
Net ordinary income	256,171	385,243
Net income	152,180	229,363
Common stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	150,000	150,000
Net assets	8,076,855	8,179,574
Total assets	212,149,182	196,480,796
Deposits	181,743,807	177,479,840
Loans	3,771,527	4,031,587
Securities	172,532,116	173,551,137
Capital adequacy ratio (non-consolidated, domestic standard)	85.90%	92.09%
Dividend payout ratio	14.98%	24.98%
Employees	11,201	11,675

Notes:

- Earnings for the fiscal year ended March 31, 2008 essentially reflect banking operations for the six-month period following Japan Post Bank's incorporation on October 1, 2007. In addition, gains and losses (including a net loss of ¥731 million) of the preparatory planning company for privatization during the first half of the fiscal period have been included.
- Deposits are as defined by the corresponding liability item in the Ordinance for Enforcement of Banking Act.
- The balance of deposits including accrued interest for the current period is ¥178,050,017 million. (¥182,384,346 million for fiscal 2008)
- The capital adequacy ratio is calculated based on standards stipulated by Article 14-2 of the Banking Act (Financial Services Agency Notification No. 19, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. Japan Post Bank adheres to capital adequacy standards applicable in Japan.
- The number of employees excludes Japan Post Bank employees assigned to other companies by Japan Post Bank but includes employees assigned to Japan Post Bank by other companies. The figures do not include short-term contract and part-time employees.

## 2 Balances by Type of Deposit

### 1. At End of Fiscal Period

(Millions of yen, %)

		March 31, 2008		March 31, 2009	
		Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	¥ 63,482,363	34.92	¥ 59,660,898	33.61
	Time deposits	117,887,704	64.86	117,488,226	66.19
	Other deposits	373,739	0.20	330,715	0.18
	Sub-total	181,743,807	100.00	177,479,840	100.00
	Negotiable certificates of deposit	-	-	-	-
	Total	¥181,743,807	100.00	¥177,479,840	100.00
International operations	Total	¥ -	-	¥ -	-
Total		¥181,743,807	-	¥177,479,840	-
Deposits including accrued interest		¥182,384,346	-	¥178,050,017	-

Notes:

- Liquid deposits = Transfer deposits + Ordinary deposits + Savings deposits + Special deposits (equivalent to ordinary savings)
- Time deposits = Time deposits + TEIGAKU deposits + Special savings deposits (Time equivalent + TEIGAKU savings equivalent + Accumulation postal savings equivalent + Housing accumulation postal savings equivalent + Education accumulation postal savings equivalent)
- "Transfer deposits" correspond with "Current deposits;" "TEIGAKU deposits" with "Other deposits" under Liabilities in accordance with the Ordinance for Enforcement of Banking Act.
- Special savings deposits are deposits with banks from the Management Organization for Postal Savings and Postal Life Insurance and represent the postal savings of this organization that were passed on to Japan Post Bank from Japan Post.
- Special deposits (equivalent to ordinary postal deposits) are the portion of deposits from the Management Organization for Postal Savings and Postal Life Insurance representing matured postal savings for time savings, TEIGAKU savings, accumulation postal savings, housing accumulation postal savings and education accumulation postal savings that were passed on to this organization from the former Japan Post.
- Figures for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

### 2. Average Balances

(Millions of yen, %)

		Fiscal 2008		Fiscal 2009	
		Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	¥ 64,155,140	34.56	¥ 62,009,526	34.53
	Time deposits	121,094,085	65.23	117,184,987	65.25
	Other deposits	377,268	0.20	378,761	0.21
	Sub-total	185,626,493	100.00	179,573,276	100.00
	Negotiable certificates of deposit	-	-	-	-
	Total	¥185,626,493	100.00	¥179,573,276	100.00
International operations	Total	¥ -	-	¥ -	-
Total		¥185,626,493	-	¥179,573,276	-
Deposits including accrued interest		¥186,332,521	-	¥180,149,837	-

### 3 Loans by Category

#### 1. At End of Fiscal Period

(Millions of yen)

	March 31, 2008	March 31, 2009
<b>Domestic operations</b>		
Loans on notes	¥ -	¥ -
Loans on deeds	3,502,875	3,790,537
Overdrafts	268,651	241,050
Notes discounted	-	-
<b>Sub-total</b>	<b>3,771,527</b>	<b>4,031,587</b>
<b>International operations</b>		
<b>Sub-total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>¥3,771,527</b>	<b>¥4,031,587</b>

#### 2. Average Balances

(Millions of yen)

	Fiscal 2008	Fiscal 2009
<b>Domestic operations</b>		
Loans on notes	¥ -	¥ -
Loans on deeds	3,631,550	3,573,023
Overdrafts	276,688	247,793
Notes discounted	-	-
<b>Sub-total</b>	<b>3,908,239</b>	<b>3,820,816</b>
<b>International operations</b>		
<b>Sub-total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>¥3,908,239</b>	<b>¥3,820,816</b>

Note: Figures for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

### 4 Balance by Type of Securities

#### 1. At End of Fiscal Period

(Millions of yen)

	March 31, 2008	March 31, 2009
<b>Domestic operations</b>		
Japanese Government Bonds	¥156,773,157	¥155,490,155
Japanese local government bonds	7,499,247	6,177,212
Commercial paper	-	542,904
Japanese corporate bonds	7,801,698	9,880,462
Stocks	-	900
Others	-	-
<b>Total</b>	<b>¥172,074,103</b>	<b>¥172,091,634</b>
<b>International operations</b>		
Others	¥ 458,012	¥ 1,459,503
Foreign bonds	458,012	1,284,502
Foreign stocks	-	-
<b>Total</b>	<b>¥ 458,012</b>	<b>¥ 1,459,503</b>
<b>Total</b>	<b>¥172,532,116</b>	<b>¥173,551,137</b>

#### 2. Average Balances

(Millions of yen)

	Fiscal 2008	Fiscal 2009
<b>Domestic operations</b>		
Japanese Government Bonds	¥156,740,162	¥157,557,897
Japanese local government bonds	7,906,902	6,861,037
Commercial paper	-	437,789
Japanese corporate bonds	7,445,295	8,557,389
Stocks	-	833
Others	-	-
<b>Total</b>	<b>¥172,092,360</b>	<b>¥173,414,947</b>
<b>International operations</b>		
Others	¥ 331,451	¥ 879,468
Foreign bonds	331,451	829,676
Foreign stocks	-	-
<b>Total</b>	<b>¥ 331,451</b>	<b>¥ 879,468</b>
<b>Total</b>	<b>¥172,423,811</b>	<b>¥174,294,416</b>

Note: Figures for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

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

(Millions of yen)

	Fiscal 2008	Fiscal 2009
Long-term bonds	¥ 40,389	¥ 90,731
Medium-term bonds	383,662	806,190
Bonds for individuals	235,485	285,003
<b>Total</b>	<b>¥659,537</b>	<b>¥1,181,926</b>

Note: Figures for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

## 6 Domestic Exchanges

(Thousands of remittances, millions of yen)

	Fiscal 2008		Fiscal 2009	
	Remittances	Amount	Remittances	Amount
Sent	108	¥1,564,318	1,668	¥4,215,404
Received	38	203,405	1,145	1,464,417

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

2. Figures and amounts for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

## 7 Transfer Deposits

(Thousands of remittances, millions of yen)

	Fiscal 2008		Fiscal 2009	
	Remittances	Amount	Remittances	Amount
In-payment	628,644	¥34,631,336	1,236,168	¥68,146,219
Transfers	39,948	34,638,839	87,756	62,125,079
Out-payment	61,768	35,524,900	131,003	67,532,728

Notes: 1. Figures for fiscal 2008 and during the period from April 1, 2008 to December 30, 2008 include the aforementioned domestic exchanges.

2. Figures and amounts for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

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

(Thousands of remittances, millions of yen)

	Fiscal 2008		Fiscal 2009	
	Remittances	Amount	Remittances	Amount
Ordinary remittances	2,590	¥42,155	4,359	¥64,312
Postal orders (TEIGAKU KOGAWASE)	11,935	5,977	24,079	11,314

Note: Figures and amounts for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

## 9 Foreign Exchanges

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

Fiscal 2008		Fiscal 2009	
Remittances	Amount	Remittances	Amount
230	\$632	427	\$1,114

Notes: 1. Foreign exchange figures represent the total of international remittances and purchases and sales of traveler's checks.

2. Figure and amount for fiscal 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

## 10 Investment Trust Sales (Contract Basis)

(Thousands of contracts, millions of yen)

	Fiscal 2008	Fiscal 2009
Number of contracts	1,063	1,598
Sales value	¥147,498	¥171,395

(Thousands of accounts, millions of yen)

	March 31, 2008	March 31, 2009
Number of investment trust accounts	508	551
Net assets	¥978,531	¥815,666

Notes: 1. Figures have been rounded off.

2. Account numbers and amounts for fiscal 2008 are for the period from October 1, 2007 to March 31, 2008.

## 11 Other Businesses

### Credit Cards

(Cards)

	Fiscal 2009
Cards issued (outstanding)	366,798

### Mortgage Loans

(Millions of yen)

	Fiscal 2009
New credit extended (as intermediary)	¥56,247

### Variable Annuity Policies

(Policies, millions of yen)

	Fiscal 2009
Number of policies	3,786
Value of policies	¥17,615

Notes: 1. Japan Post Bank launched the credit card business on May 1, 2008, the mortgage loan intermediary business on May 12, 2008 and the variable annuity business on May 29, 2008.

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

# 4. Japan Post Insurance Business Performance

## 1 Sound Management Indicators

### 1. Core profit

Core profit is a basic periodical earnings indicator for life insurance companies. Core profit primarily consists of insurance income less such related expenses as insurance payments and other expenses and operational costs plus the portion of investment income, including interest and dividend income and interest expenses, corresponding to projected profits of the investment operations using the assumed interest rate.

Core profit is not listed on the Statement of Income, and is obtained by deducting capital gains and losses, such as gains and losses on sale of securities, and extraordinary gains and losses from net ordinary income.

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

Japan Post Insurance's core profit for fiscal 2009 was ¥432.4 billion. The Company covered a negative spread amounting to ¥350.0 billion with mortality and morbidity rate margin, which represents gains from a decline in the mortality rate and hospitalization rate, etc., and administrative expense margin, which are gains resulting from business efficiency improvements. In other words, core profit, which reflects the Company's three main profit sources, was positive.

The average assumed interest rate was 2.03%, while the interest rate yield was 1.66%, resulting in a difference of 0.36%. In recent years, this difference has been narrowing due to the maturation of contracts with high average assumed interest rates.

**Core profit ¥432.1billion**

Core profit breakdown (Three major profit sources) (Billions of yen)

	Fiscal 2008	Fiscal 2009
Core profit	¥ 267.2	¥ 432.4
Negative spread	(200.0)	(350.0)
Mortality and morbidity rate margin	170.0	350.0
Administrative expense margin	290.0	430.0

Note: Breakdown figures are rounded to the nearest ¥10 billion.

(Billions of yen, rounded down)

	Fiscal 2008	Fiscal 2009
Core profit A	¥ 267.2	¥ 432.4
Capital gains	30.7	66.6
Gains on investment of money held in trust	-	-
Gains from trading securities	-	-
Gains on sales of securities	30.7	66.6
Gains from derivative financial instruments	-	-
Gains on foreign exchanges	-	-
Other capital gains	-	-
Capital losses	526.0	474.7
Losses on investment of money held in trust	318.5	296.7
Losses from trading securities	-	-
Losses on sales of securities	62.4	107.1
Losses on valuation of securities	105.5	58.7
Losses on derivative financial instruments	-	-
Losses on foreign exchanges	6.2	0.2
Other capital losses	33.2	11.8
Capital losses B	(495.2)	(408.1)
Core profit including capital loss A+B	(228.0)	24.2
Extraordinary gains	240.0	190.0
Reinsurance income	-	-
Reversal of contingency reserve	240.0	190.0
Other extraordinary gains	-	-
Extraordinary losses	-	-
Reinsurance premiums	-	-
Provision to contingency reserve	-	-
Provision to individual allowance for doubtful accounts	-	-
Provision for reserve for specific overseas loans	-	-
Depreciation of loans	-	-
Other extraordinary losses	-	-
Extraordinary gains C	240.0	190.0
Net ordinary income A+B+C	¥ 11.9	¥ 214.2

Note: Amounts (¥33.2 billion in fiscal 2008 and ¥11.8 billion in fiscal 2009) corresponding to income gains among "loss from money held in trust" have been recorded in "other capital expenses" and are included in core profit as "other core income."

## 2. Solvency Margin Ratio

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

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

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

Japan Post Insurance's solvency margin ratio as of March 31, 2009 was 1,429.7 %, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

**Solvency Margin Ratio 1,429.7%**

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

(Billions of yen, rounded down)

	Fiscal 2008	Fiscal 2009
Total amount of solvency margin (A)	¥4,515.3	¥4,539.5
Capital stock, etc.	1,027.9	1,056.6
Reserve for price fluctuations in security investments	559.0	446.5
Contingency reserve	3,076.2	2,886.2
General allowance for doubtful accounts	0.0	0.0
Net unrealized gains (losses) on available-for-sale securities x 90% (if negative, x 100%)	(193.8)	9.2
Net unrealized gains (losses) on real estate x 85% (if negative, x 100%)	2.5	0.3
Excess of continued Zillmerised reserve	15.4	80.6
Capital raised through debt financing	–	–
Deductions	–	–
Other	28.1	59.8
Total amount of risk (B)	¥808.9	¥635.0
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Underwriting risk R <sub>1</sub>	192.7	187.9
Underwriting risk of third-sector insurance R <sub>8</sub>	197.7	179.0
Anticipated yield risk R <sub>2</sub>	82.8	71.9
Investment risk R <sub>3</sub>	600.9	424.9
Business management risk R <sub>4</sub>	21.4	17.2
Minimum guarantee risk R <sub>7</sub>	–	–
Solvency Margin Ratio (A) $\frac{(A)}{(1/2) \times (B)} \times 100$	1,116.3%	1,429.7%

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

Capital stock etc., reserve for price fluctuations in security investments, contingency reserve, general allowance for doubtful accounts, net unrealized gains (losses) on available-for-sale securities x 90% (see note), net unrealized gains (losses) on real estate x 85% (see note), excess of continued Zillmerised reserve, capital raised through debt financing, deductions, other

Note: 100% for negative figures

### ● (B) Total amount of risk

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

#### Underwriting risk (R1)

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

#### Underwriting risk of third-sector insurance (R8)

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

#### Anticipated yield risk (R2)

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

#### Investment risk (R3)

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

#### Business management risk (R4)

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

#### Minimum guarantee risk (R7)

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

### 3. Accumulation Status of Contingency Reserve and Reserve for Price Fluctuations in Security Investments

(Billions of yen, rounded down)

	End of Fiscal 2008 (As of March 31, 2008)	End of Fiscal 2009 (As of March 31, 2009)
Contingency reserve	¥3,076.2	<b>¥2,886.2</b>
Limit amount	3,569.0	<b>3,358.8</b>
Reserve for price fluctuations in security investments	559.0	<b>446.5</b>
Limit amount	559.0	<b>446.5</b>
Total	¥3,635.2	<b>¥3,332.8</b>

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

As of March 31, 2009, Japan Post Insurance had a contingency reserve of ¥2,886.2 billion and a reserve for price fluctuations in security investments of ¥446.5 billion, a total of ¥3,332.8 billion.

**Contingency Reserve and Reserve for Price Fluctuations in Security Investments ¥3,332.8 billion**

### 4. Real Net Assets

Real net assets are calculated by subtracting liabilities, other than the contingency reserve and reserve for price fluctuations and other high capital debt items, from total assets at market value. Regulatory agencies use real net assets as an indication of an insurer's financial soundness at the end of a fiscal period. A negative figure shows that an insurer effectively has a negative net worth and may lead to an order to suspend operations or other regulatory actions.

At March 31, 2009, Japan Post Insurance had a sufficient level of real net assets, at ¥6,203.6 billion.

(Billions of yen, rounded down)

Category	End of Fiscal 2008 (As of March 31, 2008)	End of Fiscal 2009 (As of March 31, 2009)
Real Net Assets	¥6,013.1	<b>¥6,203.6</b>

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

Net unrealized gains and losses on assets are the differentials between fair market value and book value.

At the end of fiscal 2009, Japan Post Insurance recorded a net unrealized gain on securities of ¥1,723.5 billion.

We recorded a ¥16.8 billion net unrealized loss on money held in trust and a ¥10.2 billion overall net unrealized gain on available-for-sale securities, an improvement from a net unrealized loss in the previous fiscal year. Although net unrealized gains on available-for-sale securities are not recorded on the income statement, an amount deducting the tax-effect amount is recorded on the balance sheet as "net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

	End of Fiscal 2008 (As of March 31, 2008)	End of Fiscal 2009 (As of March 31, 2009)
	Net unrealized gain (loss) (before tax effects)	
Total	¥1,331.6	<b>¥1,723.5</b>
Held-to-maturity securities	820.5	<b>998.4</b>
Bonds earmarked for policy reserves	704.8	<b>714.8</b>
Available-for-sale securities	(Note 1) (193.8)	(Note 2) <b>10.2</b>
Securities, etc.	22.9	<b>27.0</b>
Money held in trust	(216.7)	<b>(16.8)</b>

Notes: 1. This figure after tax effects was a loss of ¥123.6 billion.  
2. This figure after tax effects was ¥6.5 billion

### 6. Risk-Monitored Loans

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

## 2 Insurance Policies

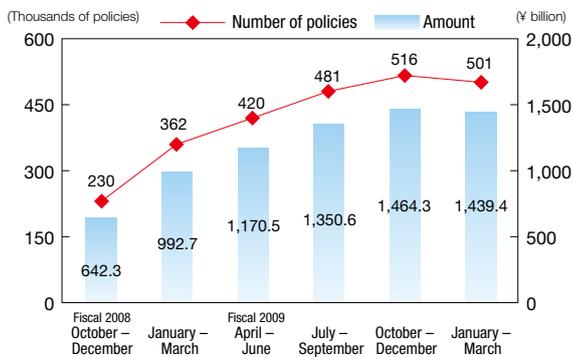
### New Policies and Policies in Force

In fiscal 2009, Japan Post Insurance sold 1,917 thousand individual insurance policies with an insured amount of ¥5,424.9 billion, and 183 thousand individual annuity policies with an annuity amount of ¥628.8 billion.

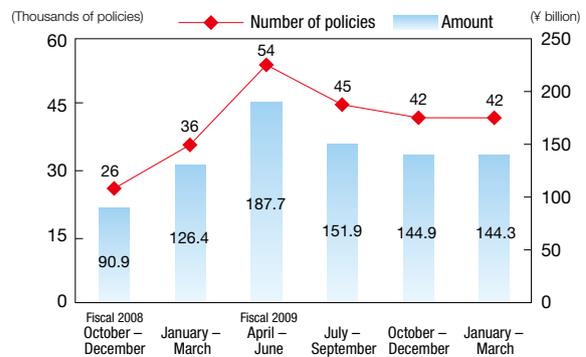
As of March 31, 2009, there were 2,445 thousand individual insurance policies, and policies in force was ¥6,870.8 billion. There were 243 thousand individual annuity policies with an annuity amount of ¥824.1 billion.

Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 46,026 thousand life insurance policies with an insured amount of ¥127,523.3 billion and 5,806 thousand annuity policies with an annuity amount of ¥2,136.6 billion.

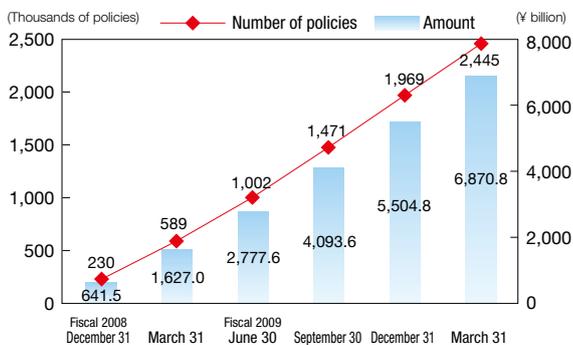
#### New Policies by Quarter (Individual Insurance)



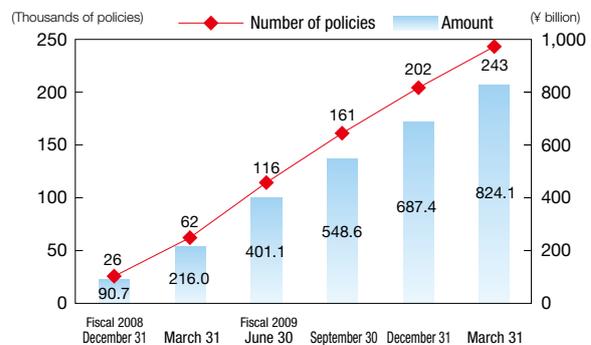
#### New Policies by Quarter (Individual Annuities)



#### Policies in Force by Quarter (Individual Insurance)



#### Policies in Force by Quarter (Individual Annuities)



#### Reference: Reinsured Postal Life Insurance Policies

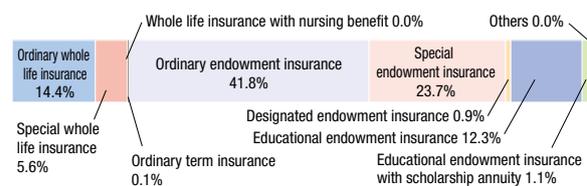
(Thousands of policies, billions of yen)

	End of Fiscal 2008		End of Fiscal 2009	
	Number of policies	Insured amount/Annuity amount	Number of policies	Insured amount/Annuity amount
Life insurance	52,180	¥144,156.4	46,026	¥127,523.3
Annuity	6,298	2,310.2	5,806	2,136.6

Note: Figures are based on publicized standards by the Management Organization for Postal Savings and Postal Life Insurance.

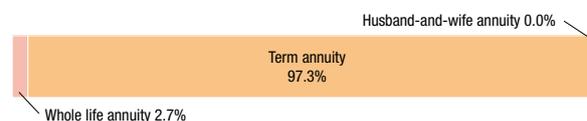
#### Composition of New Policies

##### (Percentage of New Policies): Individual Insurance



#### Composition of New Policies

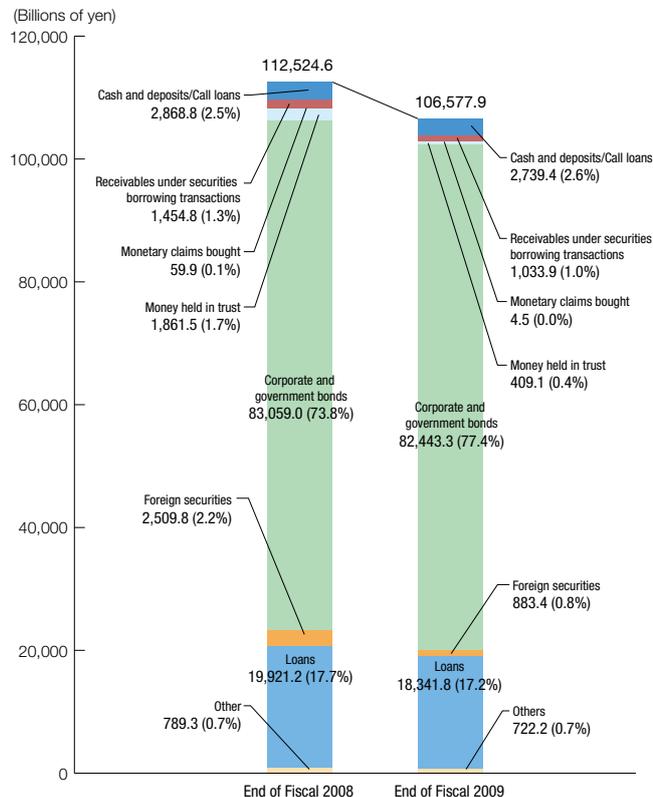
##### (Percentage of Total Policies): Individual Annuities



## 3 Asset Management Overview (General Account)

### 1. Assets

#### ■ Composition of assets



At March 31, 2009, total assets of Japan Post Insurance amounted to ¥106.5 trillion, a decrease of ¥5.9 trillion from fiscal 2008 (¥112.5 trillion).

Our investment policy in fiscal 2009 was to invest primarily in yen-denominated interest-bearing assets that provide stable interest income.

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

Meanwhile, we reduced our holdings of foreign securities in consideration of exchange rate fluctuation risk.

Although our management of investments of money held in trust currently centers on domestic equities and real estate, we reduced our holdings of equities from the perspective of streamlining risk assets in our portfolio.

Loan receivables decreased due to the repayment of loans made to the Management Organization for Postal Savings and Postal Life Insurance. Previously, we dealt only with insurance policy loans and loans to local governments, but from fiscal 2009 we also began investing in syndicated loans.

### 2. Asset Management Yield

Amid the sharp deterioration of the global financial and economic environments triggered by the U.S. subprime loan problem, Japan Post Insurance systematically reduced the amount of risk assets in its portfolio and invested carefully, principally in yen-denominated interest-bearing assets. As a result, investment expenses improved compared with the previous fiscal year, producing an asset management yield of 1.15%.

#### ■ Asset Management Yield

Item	Fiscal 2008 (October 1, 2007 to March 31, 2008)	Fiscal 2009 (April 1, 2008 to March 31, 2009)
Yield	0.67% (1.68%)	1.15% (1.66%)

Note: Asset management yield includes capital gains and losses, etc. The figures in parentheses indicate interest yield.

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

#### ■ Holdings of Securitized Financial Instruments

(Billions of yen)

Item	End of Fiscal 2008 (March 31, 2008)		End of Fiscal 2009 (March 31, 2009)	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	¥180.7	¥3.0	¥250.4	¥(1.6)

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

#### ■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.