

Financial Data

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1. Japan Post Group Companies

— Consolidated Financial Data

The consolidated balance sheets as of March 31, 2009 and 2008 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Group Companies were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan. (The following are translations into English of the audited financial statements in Japanese.)

1 Consolidated Balance Sheets

(Millions of yen)

Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)	Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)
Assets			Liabilities		
Cash and due from banks	¥ 12,474,560	¥ 9,522,062	Deposits	¥180,743,367	¥176,416,748
Call loans and bills bought	4,443,686	511,442	Policy reserves	108,479,918	102,727,247
Receivables under resale agreements	149,803	—	Reserve for outstanding claims	888,173	1,165,595
Receivables under securities borrowing transactions	1,454,885	1,759,763	Policy reserve	104,735,362	98,801,221
Monetary claims bought	80,889	70,937	Reserve for policyholders' dividends	2,856,381	2,760,430
Trading account securities	172	159	Payables under securities lending transactions	1,636,572	2,126,106
Money held in trust	2,274,112	1,633,866	Borrowed money	20,722,339	8,719,130
Securities	258,124,148	257,087,635	Foreign exchanges	327	102
Loans and bills discounted	23,670,811	22,376,512	Other liabilities	3,216,236	2,901,860
Foreign exchanges	13,453	9,872	Reserve for employees' bonuses	124,055	123,436
Deposits to the Fiscal Loan Fund	20,700,000	8,700,000	Reserve for employees' retirement benefits	3,767,187	3,663,646
Other assets	819,246	831,591	Reserve for directors' retirement benefits	477	436
Tangible fixed assets	2,996,088	2,910,307	Reserve under the special laws	559,002	446,581
Buildings	1,257,530	1,192,149	Reserve for price fluctuations in security investments	559,002	446,581
Land	1,463,579	1,457,815	Deferred tax liabilities	10,133	21,083
Construction in progress	2,775	4,456	Negative goodwill	17,239	1,877
Other tangible fixed assets	272,202	255,886	Total Liabilities	¥319,276,857	¥297,148,258
Intangible fixed assets	122,749	160,084	Net Assets		
Software	119,397	157,467	Capital stock	¥ 3,500,000	¥ 3,500,000
Goodwill	784	4	Capital surplus	4,503,856	4,503,856
Other intangible fixed assets	2,567	2,612	Retained earnings	347,695	751,066
Deferred tax assets	268,757	320,280	Total shareholders' equity	8,351,551	8,754,922
Allowance for doubtful accounts	(5,075)	(4,481)	Contribution to society and community funds	4,259	15,162
Contribution to society and community funds assets	—	4,395	Valuation and translation adjustments of contribution to society and community funds	—	56
			Net unrealized gains (losses) on available-for-sale securities	(49,658)	(11,954)
			Deferred gains (losses) on derivatives under hedge accounting	—	(12,974)
			Total valuation and translation adjustments	(49,658)	(24,928)
			Minority interests	5,280	959
Total Assets	¥327,588,290	¥305,894,430	Total Net Assets	¥ 8,311,433	¥ 8,746,172
			Total Liabilities and Net Assets	¥327,588,290	¥305,894,430

2 Consolidated Statements of Income

(Millions of yen)

Item	2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Ordinary income	¥10,097,968	¥19,961,705
Postal service income	1,038,373	1,835,096
Banking service income	1,324,950	2,486,006
Insurance service income	7,680,841	15,533,433
Other ordinary income	53,802	107,168
Ordinary expenses	9,659,228	19,131,180
Operating expenses	8,306,319	16,413,691
Personnel expenses	1,191,164	2,372,296
Depreciation	111,200	212,164
Other ordinary expenses	50,544	133,029
Contribution to society and community funds investment income (expenses)	—	40
Contribution to society and community funds investment income	—	40
Contribution to society and community funds investment expenses	—	0
Net ordinary income	438,739	830,565
Extraordinary gains	114,817	125,224
Gains on sales of fixed assets	11	1,800
Gains on collection of written-off claims	174	63
Reversal of reserve under the special laws	113,536	112,420
Reversal of reserve for price fluctuations in security investments	113,536	112,420
Other extraordinary gains	1,095	10,940
Extraordinary losses	3,308	20,798
Losses on sales and disposal of fixed assets	2,323	8,540
Impairment losses	864	2,655
Other extraordinary losses	119	9,602
Provision for reserve for policyholders' dividends	106,910	275,913
Net income before income taxes and minority interests	443,338	659,077
Income taxes current	336,515	277,359
Income taxes deferred	(170,696)	(41,130)
Total income taxes		236,229
Minority interests	229	54
Net income	¥ 277,290	¥ 422,793

3 Consolidated Statements of Changes in Net Assets

(Millions of yen)

	2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)		2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Shareholders' equity			Valuation and translation adjustments		
Capital stock			Net unrealized gains (losses) on available-for-sale securities		
Balance at the end of the previous fiscal year	¥ 150,000	¥3,500,000	Balance at the end of the previous fiscal year	¥ 258	¥ (49,658)
Changes during the period			Changes during the period		
Issuance of new shares	3,350,000	—	Net changes other than shareholders' equity	(49,916)	37,704
Total changes during the period	3,350,000	—	Total changes during the period	(49,916)	37,704
Balance at the end of the current fiscal year	¥3,500,000	¥3,500,000	Balance at the end of the current fiscal year	¥ (49,658)	¥ (11,954)
Capital surplus			Deferred gains (losses) on derivatives under hedge accounting		
Balance at the end of the previous fiscal year	¥ 150,000	¥4,503,856	Balance at the end of the previous fiscal year	¥ —	¥ —
Changes during the period			Changes during the period		
Issuance of new shares	4,353,856	—	Net changes other than shareholders' equity	—	(12,974)
Total changes during the period	4,353,856	—	Total changes during the period	—	(12,974)
Balance at the end of the current fiscal year	¥4,503,856	¥4,503,856	Balance at the end of the current fiscal year	¥ —	¥ (12,974)
Retained earnings			Valuation and translation adjustments		
Balance at the end of the previous fiscal year	¥ 51	¥ 347,695	Balance at the end of the previous fiscal year	¥ 258	¥ (49,658)
Changes during the period			Changes during the period		
Tax effect (deferred) due to privatization	74,613	—	Net changes other than shareholders' equity	(49,916)	24,729
Cash dividends	—	(8,520)	Total changes during the period	(49,916)	24,729
Net income for the period	277,290	422,793	Balance at the end of the current fiscal year	¥ (49,658)	¥ (24,928)
Contribution to society and community funds	(4,259)	(10,902)	Minority interests		
Total changes during the period	347,643	403,370	Balance at the end of the previous fiscal year	¥ —	¥ 5,280
Balance at the end of the current fiscal year	¥ 347,695	¥ 751,066	Changes during the period		
Total shareholders' equity			Net changes other than shareholders' equity	5,280	(4,321)
Balance at the end of the previous fiscal year	¥ 300,051	¥8,351,551	Total changes during the period	5,280	(4,321)
Changes during the period			Balance at the end of the current fiscal year	¥ 5,280	¥ 959
Issuance of new shares	7,703,856	—	Total net assets		
Tax effect (deferred) due to privatization	74,613	—	Balance at the end of the previous fiscal year	¥ 300,310	¥8,311,433
Cash dividends	—	(8,520)	Changes during the period		
Net income for the period	277,290	422,793	Cash dividends	—	(8,520)
Contribution to society and community funds	(4,259)	(10,902)	Issuance of new shares	7,703,856	—
Total changes during the period	8,051,499	403,370	Tax effect (deferred) due to privatization	74,613	—
Balance at the end of the current fiscal year	¥8,351,551	¥8,754,922	Net income for the period	277,290	422,793
Contribution to society and community funds			Contribution to society and community funds	(4,259)	(10,902)
Balance at the end of the previous fiscal year	¥ —	¥ 4,259	Net changes other than shareholders' equity	(40,376)	31,367
Changes during the period			Total changes during the period	8,011,123	434,738
Net changes other than shareholders' equity	4,259	10,902	Balance at the end of the current fiscal year	¥8,311,433	¥8,746,172
Total changes during the period	4,259	10,902			
Balance at the end of the current fiscal year	¥ 4,259	¥ 15,162			
Valuation and translation adjustments of contribution to society and community funds					
Balance at the end of the previous fiscal year	¥ —	¥ —			
Changes during the period					
Net changes other than shareholders' equity	—	56			
Total changes during the period	—	56			
Balance at the end of the current fiscal year	¥ —	¥ 56			

4 Consolidated Statement of Cash Flows

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)		2009 (From April 1, 2008 to March 31, 2009)
Cash flows from operating activities:		Cash flows from investing activities:	
Net income before income taxes and minority interests	¥ 659,077	Payments for purchase of call loans	(34,180,058)
Depreciation	212,164	Proceeds from redemption of call loans	34,508,486
Impairment loss	2,655	Payments for purchase of monetary claims bought	(34,588)
Increase (decrease) in reserve for outstanding claims	277,421	Proceeds from sales and redemption of monetary claims bought	89,970
Increase (decrease) in policy reserve	(5,934,141)	Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	105,671
Interest on reserve for policyholders' dividends	25,357	Payments for purchase of securities	(83,218,490)
Provision for reserve for policyholders' dividends	275,913	Proceeds from sales of securities	16,535,645
Amortization of goodwill including impairment	809	Proceeds from redemption of securities	67,780,540
Amortization of negative goodwill	(18,190)	Payments for increase in money held in trust	(1,034,037)
Equity in (earnings) losses of affiliates	714	Proceeds from decrease in money held in trust	1,380,895
Increase (decrease) in allowance for doubtful accounts	(594)	Payments for loans	(2,971,384)
Increase (decrease) in reserve for employees' bonuses	(890)	Proceeds from collection of loans	4,547,466
Increase (decrease) in reserve for employees' retirement benefits	(103,540)	Payments for purchase of tangible fixed assets	(115,485)
Increase (decrease) in reserve for directors' retirement benefits	(41)	Proceeds from sales of tangible fixed assets	6,366
Increase (decrease) in reserve for price fluctuations in security investments	(112,420)	Payments for purchase of intangible fixed assets	(52,740)
Interest and dividend income—accrual basis	(1,649,925)	Payments for share acquisition from minority shareholders	(1,718)
Interest expenses—accrual basis	6,407	Payments for share acquisition of affiliated companies	(1,200)
Interests and dividend income	(2,309,794)	Proceeds from purchase of shares accompanied by change of scope of consolidation	154
Interest expenses	657,022	Others	(62,276)
Losses (gains) related to securities	99,211	Net cash provided by investing activities	3,283,214
Losses (gains) on money held in trust	396,979	Cash flows from financing activities:	
Losses (gains) on foreign exchanges	550	Proceeds from borrowings	16,140
Losses (gains) on sales and disposal of fixed assets	6,740	Repayments of borrowings	(19,350)
Net (increase) decrease in loans and bills discounted	(282,128)	Dividends paid	(8,520)
Net increase (decrease) in deposits	(4,326,618)	Cash dividends to minority shareholders	(8)
Proceeds from redemption of deposits to the fiscal loan fund	12,000,000	Others	(1,694)
Net increase (decrease) in borrowed money	(12,000,000)	Net cash used in financing activities	(13,432)
Net (increase) decrease in negotiable certificates of deposit	514,000	Foreign currency translation adjustments on cash and cash equivalents	575
Net (increase) decrease in call loans	3,708,044	Net increase (decrease) in cash and cash equivalents	(2,262,381)
Net (increase) decrease in receivables under securities borrowing transactions	(725,786)	Cash and cash equivalents at beginning of year	8,660,443
Net increase (decrease) in payables under securities lending transactions	804,770	Cash and cash equivalents at end of year	¥ 6,398,062
Net (increase) decrease in foreign exchange assets	3,581		
Net increase (decrease) in foreign exchange liabilities	(225)		
Interests and dividends received	2,387,091		
Interest paid	(744,332)		
Others	(351,658)		
Subtotal	(6,521,774)		
Interests and dividend income—cash basis	1,888,962		
Interest expenses—cash basis	(6,603)		
Dividends to policyholders paid	(396,351)		
Income taxes paid	(496,971)		
Net cash used in operating activities	(5,532,739)		

5 Basis of Presentation of Consolidated Financial Statements

Note: Amounts are rounded down to the nearest million yen.

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries: 14

Principal group companies:

Japan Post Network Co., Ltd.
Japan Post Service Co., Ltd.
Japan Post Bank Co., Ltd.
Japan Post Insurance Co., Ltd.

Japan Post Sankyu Global Logistics Co., Ltd., which was newly established during the fiscal year, is included in the scope of consolidation.

Japan Post Transport Co., Ltd. and 13 other companies which were merged during the fiscal year were excluded from the scope of consolidation.

(2) Non-consolidated subsidiaries: 5

Principal companies:

Tokyo Beiyu Co., Ltd.
Nittei Buturyu Gijyutu Co., Ltd.

The respective and aggregate effects of the companies, which are excluded from consolidation, on total assets, revenues, surplus in the current fiscal year and surplus at the end of the fiscal year are immaterial. This exclusion from consolidation does not prevent a reasonable judgment of the consolidated financial position of the Japan Post Group and its subsidiaries and the result of their operations.

2. Matters concerning application of the equity method

(1) Non-consolidated subsidiaries accounted for by the equity method

None

(2) Equity-method affiliates: 3

Principal companies:

ANA & JP Express Co., Ltd.
JP Express Co., Ltd.
SDP Center Co., Ltd.

JP Express Co., Ltd., which was newly established during the fiscal year, and SDP Center Co., which was newly acquired during the fiscal year are accounted for under the equity method.

(3) Non-consolidated subsidiaries not accounted for by the equity method: 5

Principal companies:

Tokyo Beiyu Co., Ltd.
Nittei Buturyu Gijyutu Co., Ltd.

The respective and aggregate effects of the companies, which are not accounted for under the equity method, consolidation, on total assets, revenues, surplus in the current fiscal year and surplus at the end of the fiscal year are immaterial. This exclusion from the equity method does not prevent a reasonable judgment of the consolidated financial position of the Japan Post Group and its subsidiaries and the result of their operations.

(4) Affiliates not accounted for by the equity method

None

3. Matters concerning the balance sheet dates of consolidated subsidiaries

Fiscal year-end for consolidated subsidiaries

End of March: 14 companies

4. Summary of significant accounting policies

(1) Valuation criteria and methods for trading securities

Trading securities are stated at fair market value.

(2) Valuation criteria and methods for securities

(i) Held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method. Bonds classified as debt securities earmarked for policy reserves are stated at amortized cost (straight-line method) using the moving-average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Bonds Earmarked for Policy Reserves in the Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (JICPA)). Shares of non-consolidated subsidiaries and affiliates not accounted for by the equity method and shares of affiliates not accounted for by the equity method are stated

at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date. Available-for-sale securities with market quotations are stated at fair market value on the balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.

Net unrealized gains or losses on available-for-sale securities (including gains/losses arising from foreign exchange rate changes, but excluding those securities whose principal is hedged to protect from the risk of potential foreign exchange rate changes) is included in net assets.

(ii) Securities managed as assets of money held in trust are valued at amortized cost by a method similar to the one stated in (i). The buildings portion of real estate comprising trust assets is stated at amortized cost using the straight-line method. Real estate, excluding buildings, is stated at amortized cost using the declining-balance method.

(3) Valuation criteria and methods for derivative transactions

Derivative transactions are valued by the market value method.

(4) Depreciation methods of fixed assets

(i) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets (excluding structures and equipment) is computed by the straight-line method. Depreciation on movable property, other than buildings, is computed using the declining-balance method.

Useful lives of principal assets are as follows:

Buildings: 2-65 years

Other: 2-75 years

(ii) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets, except software intended for internal use, is computed by the straight-line method. The development costs of software intended for internal use are amortized over the expected useful lives of five years by the straight-line method.

(iii) Leased assets

Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero or guaranteed value by the straight-line method during the lease term.

(Change in Accounting Policy)

Effective from the fiscal year ended March 31, 2009, Japan Post Holdings adopted the "Accounting Standard for Lease Transactions (ASBJ Statement No.13, revised on March 30, 2007)" and "Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16)" issued by the Accounting Standards Board of Japan. These changes had no material impact on the consolidated financial statement for the year ended March 31, 2009.

(5) Recognition of allowance for doubtful accounts

(i) To provide for credit losses on accounts receivable, the Company and its consolidated subsidiaries other than Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. provide an allowance for doubtful accounts for specifically identified doubtful accounts in the amount deemed uncollectible based on an assessment of each account, and for all other accounts based on historical loss ratios.

(ii) Allowance for doubtful accounts of Japan Post Bank Co., Ltd. is provided in accordance with the predefined standards for write-offs and provision of allowance. Normal assets and assets requiring caution are classified in accordance with the Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions (JIPCA, Special Committee for Audits of Banks, etc., Report No. 4) and an allowance is provided based on historical write-off ratios. Claims are classified into normal assets and assets requiring caution and into certain categories, and an allowance for doubtful accounts is provided based on estimated loss ratios. In the case of claims against potentially bankrupt obligors, an allowance is provided in the amount deemed necessary based on the overall solvency assessment of the loan, net of the amount expected to be collected from collateral and guarantees. In the case of

claims against bankrupt obligors and effectively bankrupt obligors, an allowance is provided in the amount equivalent to the claim, net of the portion of the claim expected to be collected by collateral or guarantees.

At the banking subsidiary, all asset evaluation is based on self-evaluation in accordance with the internal rules and carried out by the Asset Evaluation Division in cooperation with the Marketing Unit. The above allowances are provided based on the results of asset evaluation.

- (iii) To provide for losses on outstanding claims, Japan Post Insurance Co., Ltd. makes a self-assessment of claims in accordance with the rules for self-assessment of asset quality, write-off and reserve standards and provides a reserve based on the historical write-off ratio, in addition to an allowance for doubtful accounts for specifically identified doubtful claims in the amount deemed uncollectible based on an assessment of each account.

In addition, all claims are assessed by asset-related departments in accordance with the rules for self-assessment of asset quality. Subsequently, the asset auditing departments, which are independent from other asset-related departments, conduct audits of the assessment results of the other asset-related departments. Allowance for doubtful accounts is accounted for based on such assessment results as stated above.

(6) Reserve for employees' bonuses

To provide for the payment of bonuses to employees, a reserve is provided in the amount expected to be incurred at the end of the fiscal year based on the projected obligations at the end of the fiscal year.

(7) Reserve for employees' retirement benefits

- (i) To provide for the payment of retirement benefits to employees, an amount expected to be incurred at the balance sheet date is provided based on the estimated projected benefit obligations at the balance sheet date.

The actuarial difference is amortized as follows:

The actuarial difference is amortized using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees from the fiscal year following the fiscal year in which the difference is recognized.

Past service liability is amortized using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees in the fiscal year the difference is incurred.

- (ii) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for the service period in and before December 1958 of those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

- (iii) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) (hereinafter referred to as "share of another public service pension") and retired in and before December 1958 are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (five years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(8) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, the Company provides a reserve for directors' retirement benefits, in accordance with its internal rules, that is deemed to have accrued on the balance sheet date.

(9) Translation of foreign currency-denominated assets and liabilities

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(10) Accounting for hedges

(i) Hedge accounting for interest rate risks

The Company and its consolidated subsidiaries apply deferred hedge accounting to account for transactions they enter into to hedge interest rate risks on financial assets and liabilities. With respect to methods for evaluating the effectiveness of this hedging, for hedging to offset rate fluctuations, the Company and its consolidated subsidiaries implement hedge designation, for which crucial conditions concerning the hedged interest rates and hedging methods are virtually the same as the requirements for the exceptional accrual method for interest rate swaps. Accordingly, such hedges are considered as highly effective, resulting in a substitution for evaluating the effectiveness of the hedging transactions. In addition to the above, the Company and its consolidated subsidiaries apply exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis.

(ii) Hedge accounting for foreign exchange risks

The Company and its consolidated subsidiaries apply deferred hedges and market hedges for hedging foreign exchange fluctuation risk for other foreign currency-denominated securities.

With respect to evaluation of hedge efficiency, the Company and its consolidated subsidiaries and affiliates use forward foreign exchange contracts with the same currencies, the same settlement dates and the same notional principals as the hedged assets. Thus the relationship between cash flows from the hedged assets and the hedging instruments is closely correlated. As a result, their hedges are deemed to be highly effective.

(11) Reserve for price fluctuations in security investments

To provide for losses from price fluctuations of marketable securities, reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Law.

(12) Principal matters serving as the basis for preparing financial statements

1) Consumption taxes

All figures are net of consumption taxes.

2) Consolidated tax provision

The Company and certain consolidated subsidiaries adopt the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

3) Policy reserve

A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Law. A policy reserve is recognized by performing a calculation based on the following methodology:

- (i) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (ordinance No. 48 issued by the Ministry of Finance in 1996).

- (ii) Reserves for other contracts are computed based on the net level premium method.

- 4) Accumulations for contribution to society and community funds are made as stipulated by Article 13 of the Japan Post Holdings Co., Ltd. Law.

5. Assets and liabilities of consolidated subsidiaries

The full valuation method is adopted in valuing assets and liabilities of consolidated subsidiaries.

6. Matters concerning amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized up to five years depending on the cause of amortization using the straight-line method. However, immaterial goodwill and negative goodwill are charged or credited to income in the year of acquisition.

7. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three month or less when purchased which can easily be converted to cash and are subject to little risk of change in value (excluding negotiable certificates of deposit held by the banking subsidiary included in "cash and due from banks").

6 Notes to Consolidated Financial Statements

1. Notes to Consolidated Balance Sheets

- Affiliate company shares (and investment in capital) totals (excluding equity securities of consolidated subsidiaries and investment in capital) ¥933 million
- For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with repurchase agreements or bond lending transactions secured by cash, the balance of the portion of securities where the Company has the right to unrestricted disposal of securities through sales or the reuse (pledge) as collateral was ¥727,271 million.
- The amount of securities (Japanese government bonds) in the securities trust established to engage in securities lending transactions for income was ¥2,006,892 million.
- There were no claims against bankrupt obligors, past-due claims, past-due claims (three months or more) and reconstructed claims in loans (loans and bills discounted).

- Loans and bills discounted account included the portion of loans extended to originators based on loan participation agreements, as permitted by the JICPA Accounting Committee Report No. 3 in the amount of ¥98,786 million.

- Assets pledged as collateral are as follows:

Assets pledged as collateral

Securities	¥79,724,923 million
Tangible fixed assets	¥12,156 million
Others	¥1,061 million

Liabilities corresponding to assets pledged as securities:

Deposits	¥76,852,848 million
Payables under securities lending transactions	¥804,770 million
Borrowed money	¥9,097 million

In addition to the above, assets pledged as collateral include securities pledged as collateral for an overdraft facility at the Bank of Japan, foreign exchange settlements and derivative transactions in the amount of ¥3,081,318 million.

- Consolidated subsidiaries obtain securities as collateral for customers using their advanced postage payment service. The market value of securities deposited as collateral was ¥98 million at the balance sheet date.
- Overdraft protection on current accounts and contracts for the commitment line for loans are contracts by which Japan Post Bank Co., Ltd. is bound to extend loans up to the prearranged amount, at the request of customers, unless the customer is in breach of contract conditions. The unutilized balance of these contracts amounted to ¥1,200 million. Of this amount, ¥1,200 million relates to contracts in which the original contractual maturity is one year or less, or which are unconditionally cancelable at any time.

Since many of these contracts expire without the rights exercised, the unutilized balance itself does not necessarily affect future cash flows. A provision is included in many of these contracts that entitle the banking subsidiary to refuse the execution of loans, or reduce the maximum amount under contracts when there is a change in the financial situation, necessity to preserve a claim or other similar reasons. The banking subsidiary obtains, moreover, real estate or securities as collateral at the time the contracts are entered into, if needed, and periodically monitors a customer's business condition, based on and in accordance with established internal procedures, and takes measures to control credit risks such as making amendments to contracts, if needed.

- Accumulated depreciation of tangible fixed assets: ¥296,325 million

- Changes in reserve for policyholders' dividends

Amount at the previous fiscal year-end:	¥2,856,381 million
Dividends to policyholders paid in the current fiscal year:	¥396,351 million
Increase in interest:	¥25,357 million
Decrease due to increased annuity purchases:	¥870 million
Provision for reserve for policyholders' dividends:	¥275,913 million
Amount at the end of the current fiscal year:	¥2,760,430 million

- The policy reserves (except for the risk reserve) related to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance amount to ¥93,166,194 million. The amount was calculated based on the prescribed calculation method for premiums and policy reserves and it will not be lower than the amount calculated by the calculation method for the policy reserves of postal life insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No. 101, 2005).

In addition, with the reinsurance-related segment used as the source, ¥2,885,580 million in risk reserve and ¥446,581 million in reserve for price fluctuations in security investments are provided.

- At the end of the current fiscal year, the insurance subsidiary's expected future liabilities for the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act amounted to ¥1,384 million.

- "Deposits" on the consolidated balance sheets correspond with the account of "Deposits" under Liabilities in accordance with the Ordinance for Enforcement of the Banking Act.

- Expected future amounts of payments for contracts for services rendered for systems are as follows (for combined contracts for using hardware, software, communications services and maintenance as a single unit).

Within one year:	¥38,888 million
More than one year:	¥89,202 million

- Contingent liabilities

The Company's consolidated subsidiaries and affiliates have assumed the leasing agreements for certain post offices from the former Japan Post. Such contracts state that the lesser retains the right to call for compensation if the Company's consolidated subsidiaries or affiliates cancel all or part of the lease contracts. The amount of such cancellation compensation is to be calculated based on the remaining part of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2009, the potential cancellation claims were ¥168,366 million.

Because specific computation methods for determining cancellation compensation are still undetermined, a certain provisionally calculated amount is recorded.

However, if the buildings that used to house post offices are not to be demolished, the compensation does not cover all of the remaining part of the initial investment.

2. Notes to Consolidated Statements of Income

- "Other ordinary income" includes amortization of negative goodwill in the amount of ¥18,190 million and equity in earnings of affiliates in the amount of ¥1 million.
- "Other ordinary expenses" includes amortization of goodwill in the amount of ¥809 million and equity in losses of affiliates in the amount of ¥716 million.
- Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an independent

administrative entity, ¥275,913 million is provided for reserve for policyholders' dividends based on the performance of the segment related to reinsurance.

3. Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

	Number of shares as of previous fiscal year-end	Increase in number of shares in current fiscal year	Decrease in number of shares in current fiscal year	Number of shares as of current fiscal year-end	Remarks
Shares issued					
Common shares	150,000	-	-	150,000	

2. Dividends

In accordance with Article 11 of the Japan Post Holdings Law, dividend distribution from retained earnings is subject to approval by the Minister of Internal Affairs and Communications.

Dividends paid for the year ended March 31, 2009

(Resolution)	Type of shares	Aggregate amount of dividends (millions of yen)	Dividends per share: (yen)	Record date	Effective date
Meeting of the Board of Directors on June 25, 2008	Common shares	8,520	56.80	March 31, 2008	June 26, 2008

4. Notes to Consolidated Statement of Cash Flows

1. The reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and due from banks as stated in the consolidated balance sheets as of March 31, 2009 is as follows.

Cash and due from banks:	¥9,522,062 million
Negotiable certificates of deposit held by the banking subsidiary included in cash and due from banks:	¥(3,300,000) million
Negotiable certificates of deposit included in securities:	¥176,000 million
Deposits with maturities of more than 90 days:	—
Cash and cash equivalents:	¥6,398,062 million

2. Contribution to society and community funds included in "Payments for increase in money held in trust" in cash flows from investing activities amounted to ¥4,259 million.

5. Securities

In addition to securities carried on the consolidated balance sheet, securities include trading securities, negotiable certificates of deposit included in cash and due from banks (or cash and savings deposits due from banks) and trust beneficiary certificates included in monetary claims bought.

1. Trading securities (As of March 31, 2009)

(Millions of yen)

	Amount carried on the balance sheet	Net unrealized gain/loss charged to period income
Trading securities	159	-

2. Held-to-maturity bonds with market quotations (As of March 31, 2009)

(Millions of yen)

	Consolidated balance sheet amount	Market value	Net unrealized gain/loss	Of which gain	Of which loss
Japanese government bonds	152,796,511	155,961,797	3,165,285	3,215,739	50,454
Japanese local government bonds	7,724,528	7,857,004	132,476	136,647	4,170
Japanese corporate bonds	9,219,745	9,368,648	148,903	151,168	2,265
Total	169,740,785	173,187,450	3,446,665	3,503,556	56,891

Note 1: Market value: Fair market price on the consolidated balance sheet date

Note 2: "Of which gain" and "of which loss" are net unrealized valuation gains and losses, respectively.

3. Bonds with market quotations earmarked for policy reserves (As of March 31, 2009))

(Millions of yen)

	Consolidated balance sheet amount	Market value	Net unrealized gain/loss	Of which gain	Of which loss
Japanese government bonds	36,591,781	37,267,019	675,237	759,948	84,711
Japanese local government bonds	2,089,484	2,112,242	22,757	24,875	2,118
Japanese corporate bonds	2,139,953	2,156,763	16,810	17,696	885
Total	40,821,219	41,536,025	714,805	802,520	87,715

Note 1: Market value: Fair market price on the consolidated balance sheet date

Note 2: "Of which gain" and "of which loss" are net unrealized valuation gains and losses, respectively.

4. Available-for-sale securities with market quotations (As of March 31, 2009)

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gain/loss	Of which gain	Of which loss
Stocks	19,309	16,763	(2,546)	-	2,546
Bonds	43,233,625	43,444,203	210,577	308,739	98,161
Japanese government bonds	35,628,670	35,789,910	161,240	242,986	81,746
Japanese local government bonds	910,235	919,541	9,306	10,022	715
Japanese corporate bonds	6,694,719	6,734,750	40,031	55,730	15,699
Others	2,433,422	2,415,473	(17,949)	20,153	38,102
Total	45,686,358	45,876,439	190,081	328,893	138,811

Note 1: Consolidated balance sheet amount: Equity securities: Average market price for the one-month period up to the balance sheet date; Available-for-sale securities: Fair market value on the balance sheet date

Note 2: "Of which gain" and "of which loss" are net unrealized gain and loss, respectively.

Note 3: Others: Primarily foreign bonds

5. Held-to-maturity bonds sold during the fiscal year (From April 1, 2008 to March 31, 2009)

(Millions of yen)

	Cost of securities sold	Sales amount	Gain/loss on sales
Japanese government bonds	6,039,501	6,039,766	265
Total	6,039,501	6,039,766	265

Rationale: The above securities were sold in accordance with Article 282 of the Accounting Industry Audit Committee Report No. 14 ("Practical Guidance on Accounting for Financial Products") issued by JICPA.

6. Bonds earmarked for policy reserves sold during the fiscal year (From April 1, 2008 to March 31, 2009)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Bonds earmarked for policy reserves	1,147,258	7,655	6,140

7. Available-for-sale securities sold during the fiscal year (From April 1, 2008 to March 31, 2009)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Available-for-sale securities	9,348,959	112,063	153,940

8. Securities without market quotations and carrying value on the consolidated balance sheet (As of March 31, 2009)

(Millions of yen)

Item	Amount
Subsidiary and affiliated-company stock	933
Available-for-sale securities	5,168,294
Certificates of deposit	4,625,100
Short-term corporate bonds	542,904
Privately held stock	183
Other	107

9. Reclassified securities (From April 1, 2008 to March 31, 2009)

None

10. Redemption schedule of available-for-sale securities with maturity dates, securities held to maturity and bonds earmarked for policy reserves (As of March 31, 2009)

(Millions of yen)

	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds	50,627,039	105,566,449	82,110,429	16,245,742
Japanese government bonds	44,876,487	94,316,420	71,049,917	14,935,927
Japanese local government bonds	1,930,134	3,767,510	4,843,711	192,198
Short-term corporate bonds	542,904	-	-	-
Japanese corporate bonds	3,277,513	7,482,518	6,216,800	1,117,616
Others	4,753,758	1,445,165	269,444	316,354
Total	55,380,798	107,011,615	82,379,874	16,562,096

6. Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2009)
None
2. Money held in trust classified as held-to-maturity (As of March 31, 2009)
None
3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2009)

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gain/loss	Of which gain	Of which loss
Other money held in trust	1,849,139	1,638,261	(210,877)	7,611	218,489

Note 1: Consolidated balance sheet amount: Equity securities: Average market price for the one-month period up to the balance sheet date; Available-for-sale securities: Fair market value on the balance sheet date

Note 2: Money held in trust in contribution to society and community funds is included in the above table.

Note 3: "Of which gain" and "of which loss" are net unrealized gain and loss, respectively.

7. Retirement Benefit Plans

1. Summary of retirement benefit scheme
The Company and its principal consolidated subsidiaries have defined-benefit plans, i.e., lump-sum payment plans.

2. Information about retirement benefit obligation

(Millions of yen)

Fiscal year (March 31, 2009)	
Retirement benefit obligation	(3,632,145)
Pension assets	15,390
Unfunded retirement benefit obligation	(3,616,755)
Unrecognized actuarial differences	(47,470)
Unrecognized prior service cost	578
Net retirement benefit obligation	(3,663,646)
Reserve for employees' retirement benefits	(3,663,646)

3. Information about retirement benefit expenses

(Millions of yen)

Fiscal year (From April 1, 2008 to March 31, 2009)	
Service cost	118,866
Interest cost	63,100
Expected return on pension assets	(385)
Amortization of prior service cost	(7)
Amortization of actuarial differences	(1,593)
Retirement benefit expenses	179,980

Note: Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "service cost."

4. Basis for calculation of retirement benefit obligation

Fiscal year (At March 31, 2009)	
Discount rate:	1.6% - 2.0%
Expected rate of return on pension assets:	2.0%
Periodical allocation method of estimated retirement benefit:	Straight-line method over the determined period
Amortization of prior service cost:	8 years - 14 years
Method of amortizing actuarial differences:	8 years - 14 years

8. Per Share Information

(Yen)

Fiscal year (From April 1, 2008 to March 31, 2009)	
Net assets per share	53,301.42
Net income per share	2,818.62

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

9. Risk-Monitored Loans

	2008 (At March 31, 2008)	2009 (At March 31, 2009)
Bankrupt loans	-	-
Non-accrual delinquent loans	-	-
Past-due loans (three months or more)	-	-
Restructured loans	-	-

10. Subsequent Events

Acceptance of third-party allotment capital increase from JP Express Co., Ltd.
A resolution was passed at a meeting of the Board of Directors on February 26, 2009 for Japan Post Service Co., Ltd., a consolidated subsidiary, to accept the entire amount of a third-party allotment capital increase from affiliated company JP Express Co., Ltd. On April 1, 2009 Japan Post Service acquired 654,000 common shares from JP Express Co., Ltd. and made that company a consolidated subsidiary.

Overview of third-party allotment capital increase

Stock payment date: April 1, 2009

Number of shares accepted: 654,000 shares

Issue price: ¥50,000 per share

Total amount accepted: ¥32,700 million

Party to which allotted: Japan Post Service Co., Ltd.

7 Capital Adequacy

1. Qualitative Disclosure

1. Scope of consolidation

- (1) Differences between companies belonging to the Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Consolidated Capital Adequacy Ratio Disclosure Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements

The Company calculates its consolidated capital ratio as follows.

Pursuant to Article 52-25 of the Banking Act, the bank holding company is required to calculate its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereafter, Consolidated Capital Adequacy Ratio Disclosure Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. Accordingly, the Group is comprised of the following 13 companies (hereafter the "Group") for the calculation of the consolidated capital ratio: Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Staff Co., Ltd., Yusei Challenged Co., Ltd., Post Office Business Support Co., Ltd., JP Logi Service Co., Ltd., JP Biz Mail Co., Ltd., DM Leading Co., Ltd., JP Logistics Partners Co., Ltd., JP Media Direct Co., Ltd., JP Sankyu Global Logistics Co., Ltd. and Japan Post Transport Co., Ltd. Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the scope of consolidation. Furthermore, Japan Post Insurance Co., Ltd. falls under the deduction item to shareholders' equity in accordance with Article 20, Paragraph 1-2 (insurance affiliate) of the FSA's Capital Adequacy Ratio Disclosure Notice.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 14 companies, comprising 13 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 49 through 53.

- (2) Number of consolidated subsidiaries and principal subsidiaries

For the purpose of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, the Group comprises the Company and the 13 companies noted above.

Principal subsidiaries are: Japan Post Service Co., Ltd., Japan Post Network Co., Ltd. and Japan Post Bank Co., Ltd. See pages 28 to 48 for details on activities of the individual companies.

- (3) Affiliates to which Article 21 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice is applicable

None

- (4) Companies to which Article 20, Paragraph 1, Subparagraph 2, Items (i) to (iii) (deductions) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice is applicable:

- (a) Companies to which Item (ii) is applicable

Tokyo Beiyu Co., Ltd., Nittei Buturyu Gijyutu Co., Ltd., Nagoya Yubin Yuso Co., Ltd., Kinki Kosoku Yubin Yuso Co., Ltd. and Osaka Air Mail Co., Ltd.

- (b) Companies to which Item (iii) is applicable:

Japan Post Insurance Co., Ltd.

- (5) Companies engaged primarily in the business defined in Article 52-23-1, Subparagraph 10-(i) of the Banking Act or companies falling under Article 52-23-1, Subparagraph 11 but not belonging to the Group

None

- (6) Restrictions on transfer of funds and common stock among companies in the holding company group

None

2. Summary of capital funding methods

The Company raises capital through equity financing (issuance of common stock). The Ministry of Finance holds 100% of the outstanding stock of the Company.

3. Summary of evaluation method for capital adequacy of holding company group concerning the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2009 calculated in accordance with the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice was 67.62% (Tier I ratio was 76.42%). This level is substantially higher than the 4% capital adequacy ratio required as a minimum standard for banks that operate only in Japan. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risks. A figure for market risk is not included.

*Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "4. Group Risk Management" on pages 66 through 69 for more information about risk management for the Japan Post Group.

4. Credit risk

- (1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Risk is monitored and managed by establishing a credit line and credit limit so that the amount of credit risk does not exceed the amount of capital allocated for credit risk, based on the Bank's equity and other resources. In addition, Japan Post Bank performs stress tests to be prepared for an increase in credit problems resulting from a major shift in the economy that exceeds the range that can be statistically foreseen.

To control credit concentration risk, Japan Post Bank provides credit limits for individual companies and corporate groups and supervises these limits during each fiscal year. The Bank plans to upgrade its credit portfolio management capabilities due to the expected growth in the number of obligors.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Office, positioned as a credit control unit. Within the Bank's organization, these units are independent of front-office and back-office operations.

The Risk Management Department is responsible for the internal credit rating system, self-assessments of loans and other credit risk activities.

The Credit Office is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Japan Post Bank conducts credit business with the fundamental principles of public welfare, financial soundness and profitability. The Bank has a "Credit Business Code" to underpin sound and appropriate credit business activities by all executives and employees, in which the Bank has defined in writing its basic philosophy, behavior guidelines and other items of credit business.

The allowance for doubtful accounts is based on predetermined standards for writing off loans and making additions to this allowance. Japan Post Bank provides this reserve as follows for each obligor category prescribed by the Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions (JICPA, Special Committee for Audits of Banks, etc., Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by asset assessment departments with the cooperation of marketing departments.

Japan Post Bank continuously monitors obligors' ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner.

(2) Portfolios where the standardized approach is applied

(i) Qualified rating agencies, etc. used in making judgments on risk weights

When making judgments on risk weights, Japan Post Bank uses the credit ratings of four rating agencies and the Organization for Economic Cooperation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

For the calculation of the consolidated capital adequacy ratio, Japan Post Holdings also uses the ratings of Fitch Ratings.

(ii) Qualified rating agencies, etc. used in making judgments on risk weights for each category of exposure

Japan Post Bank uses the following qualified rating agencies, etc. for the following credit risk exposure categories.

When there are ratings from more than one rating agency, Japan Post Bank bases risk weighting decisions on Ministerial Notification of Capital Adequacy Ratio of the Financial Services Agency No. 19, March 27, 2006 (hereafter "Capital Adequacy Ratio Notice"). Based on this standard, the Bank uses the rating corresponding to the second-smallest risk weighting from among all ratings.

Risk exposure		Rating agencies used
National governments and central banks	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P, OECD
Japanese local governments and their agencies		R&I, JCR, Moody's, S&P
Foreign public-sector entities other than national governments		Moody's, S&P, OECD
International development banks		Moody's, S&P
Japanese national government-affiliated agencies		R&I, JCR, Moody's, S&P
Financial institutions	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P, OECD
Primary financial instrument dealers	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P
Corporate		R&I, JCR, Moody's, S&P
Securitization		R&I, JCR, Moody's, S&P

5. Summary of risk management policy and procedures for credit risk mitigation techniques

When calculating the capital adequacy ratio, Japan Post Bank applies "credit risk mitigation techniques" prescribed in the Capital Adequacy Ratio Notice. These techniques are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These techniques include qualified financial collateral, the netting of loans and offsetting self-deposits, and credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts cash, self-deposits and securities as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses the "simple approach" prescribed in the Capital Adequacy Ratio Notice for credit risk mitigation techniques.

There are internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self-deposits and types and scope of applicable transactions

For the use of the netting of loans and self-deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., the remaining amount after netting loans and self-deposits is used as the amount of exposure for calculating the capital adequacy ratio.

This does not currently apply to Japan Post Bank.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantor is a national government or corporate entity to which a lower risk weighting than the guaranteed obligation is applied. There is no balance of credit derivatives.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

None

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation techniques

None

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long-term settlements

(1) Policy for calculating collateral protection and derivative transaction loss allowance, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The collateral concerning derivative transactions provided as of March 31, 2009 was ¥18,985 million.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit lines and allocation of capital for risk exposure

Japan Post Bank assigns credit ratings based on an evaluation of the credit standing of all counterparties. There are no particular concerns about the credit standings of counterparties.

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit lines in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is included in the allocation of capital for market risk.

7. Securitization exposure to securitized instruments

(1) Summary of risk management policy and procedures

As an investor, Japan Post Bank is exposed to risks associated with securitization. When purchasing securitization exposure, the Bank provides credit limits based on obligor ratings assigned in accordance not only with external credit ratings but also with the Bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank monitors external credit ratings, the status of recovering underlying assets and other factors. In addition, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk.

(2) Method used to calculate credit risk and assets for securitization exposure

Japan Post Bank uses the standardized approach prescribed in the Capital Adequacy Ratio Notice for calculating credit risk for securitization exposure.

(3) Accounting policy on securitized transactions

For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank uses Corporate Accounting Standard No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

(4) Qualified rating agencies used in making judgments on risk weights for securitization exposure by category

Japan Post Bank uses the ratings of four credit rating agencies for the calculation of credit risk exposure and assets involving securitized instruments: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

8. Operational risk

(1) Summary of risk management policy and procedures

The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives, employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, computer system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk. To maintain the suitability of business operations, Japan Post Bank manages operational risk by using the basic approach of identifying, evaluating, controlling, monitoring and reducing these risks.

To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of the impact on operations. The Bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The Bank periodically uses a Risk & Control Self-assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Through RCSA, areas in which risk management needs to be improved and areas in which risk management needs to be reinforced are identified.

(2) Method used and name for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" prescribed in the Capital Adequacy Ratio Notice with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, stocks and other exposure in banking account

Japan Post Bank, which is a company engaged in the banking business that belongs to the holding company's group as prescribed in the consolidated Capital Adequacy Ratio Notice, has no exposure to investments, etc. or stock, etc.

10. Interest rate risk in the banking account

(1) Summary of risk management policy and procedures

Interest rate risk is the risk of incurring a loss due to changes in interest rates and the risk of a decline in earnings or loss resulting from changes in interest rates when there is an interest rate or maturity mismatch between assets and liabilities.

At Japan Post Bank, market investments (Japanese government bonds) account for the majority of assets and *TEIGAKU* deposits account for the majority of liabilities. The Bank has a market risk management system that reflects the characteristics and risk profile of these operations.

When measuring the volume of market risk, Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, in accordance with the Bank's equity

capital and other indicators of financial resources. In addition, Japan Post Bank performs stress tests to simulate extreme market volatility that exceeds the range of statistical estimates.

To provide a system of checks and balances for market risk management, Japan Post Bank has established a Market Risk Management Office within the risk management units, which is positioned as a middle office unit that is independent of front office and back office units.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions concerning matters involving the establishment and operation of the market risk management system and the execution of market risk management.

For reaching proper decisions quickly, daily reports are submitted to senior management concerning the volume of market risk (VaR), compliance with limits and loss limits for market risk and other items. In addition, Japan Post Bank analyzes risk on a regular basis by using back testing and stress testing and reports the results of these tests to the ALM Committee and other organizational units. These activities are aimed at consistently generating earnings while properly controlling market risk.

(2) Summary of method for calculating banking account interest rate risk for internal management

Japan Post Bank uses the historical simulation method for the internal model used to measure the volume of market risk (VaR). The Bank uses a one-tailed confidence interval of 99%, a holding period of 240 business days (one year) and an observation period of 1,200 business days (five years).

For liquid deposits, Japan Post Bank uses as core deposits the smallest of (a) the smallest balance over the past five years, (b) the current balance (on the record date) less the maximum annual outflow over the past five years and (c) 50% of the current balance (on the record date). The Bank assumes that the maximum maturity is five years (average of about 2.5 years). For time deposits, the Bank performs measurements by using estimated future cash flows based on a model.

2. Quantitative Disclosure

1. Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall

Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall among companies qualifying for deduction to capital in accordance with Article 8, Paragraph 1-2, Items (a) to (c) and Article 20, Paragraph 1-2, Items (a) to (c) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice
None

2. Capital structure

Consolidated capital ratio (domestic standard)

(Millions of yen)

Item		March 31, 2008	March 31, 2009
Core capital (Tier 1)	Capital stock	3,500,000	3,500,000
	Of which non-accumulating permanent preferred stock	—	—
	Deposit for subscription to shares	—	—
	Capital surplus	4,503,856	4,503,856
	Retained earnings	319,840	684,917
	Treasury stock (deduction)	—	—
	Deposit for subscription to treasury stock	—	—
	Amount scheduled for disbursement	(8,520)	(27,256)
	Net unrealized gain/loss on available-for-sale securities	—	—
	Foreign currency translation adjustments	—	—
	Stock acquisition rights	—	—
	Minority interests in consolidated subsidiaries	5,280	959
	Preferred securities issued by foreign Special Purpose Companies (SPCs)	—	—
	Trade rights equivalents (deduction)	—	—
	Goodwill equivalents (deduction)	(784)	(4)
	Intangible fixed assets equivalents recognized as a result of merger (deduction)	—	—
	Amount equivalent to increase in shareholders' equity resulting from securitization transactions (deduction)	—	—
	Deduction for deferred tax assets	—	—
	Total core capital (Tier I) (A)	8,319,673	8,662,471
	Equity securities, etc., with probability of being redeemed (carrying covenant regarding step-up interest rate) (Note 3)	—	—
Supplementary capital (Tier 2)	Amount equivalent to 45% of the difference between reappraised land value and book value immediately before revaluation	—	—
	Allowance for doubtful accounts (general reserve)	1,088	2,239
	Capital raised through debt financing	—	—
	Total supplementary capital, Tier II capital (B)	1,088	2,239
Sub-supplementary capital (Tier 3)	Short-term subordinated debt	—	—
	Total sub-supplementary capital, Tier III capital (C)	—	—
Deduction item	Total of deduction items (D) (Note 4)	1,000,198	1,000,169
(Total) qualifying capital	(Total) qualifying capital (A+B+C-D)(E)	7,320,563	7,664,542
(Total) risk-adjusted assets	Assets (on-balance-sheet items)	6,676,684	7,067,982
	Off-balance-sheet transactions, etc.	882,911	73,249
	Amount of market risk equivalent, divided by 8%	—	—
	Amount of operational risk equivalent, divided by 8%	4,458,789	4,193,000
	(Total) risk-adjusted assets (F)	12,018,385	11,334,231
Consolidated capital ratio (domestic standard) (E/F) x 100 (%)		60.91%	67.62%
Tier 1 (A/F) x 100 (%)		69.22%	76.42%

Note 1: The above data is calculated in line with the provisions of Article 52-25 of the Banking Act and on the basis of calculation formulae prescribed under the criteria to be used by a Bank Holding Company for deciding whether or not the adequacy of equity capital of the Bank Holding Company and its Subsidiary Companies is appropriate in light of the circumstances such as the assets owned by that Bank Holding Company and its Subsidiaries (Financial Services Agency Notification No. 20 of 2006). The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Note 3: Step-up callable equity securities, etc. (carrying covenant regarding step-up interest rate for redemption), under Article 17, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice

Note 4: Calculated based on Article 20 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice and includes capital investments in Japan Post Insurance Co., Ltd. and other companies.

3. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

(Millions of yen)

Item	March 31, 2008	March 31, 2009
1 Cash	—	—
2 Japanese government and the Bank of Japan	—	—
3 Foreign national governments and central banks	61	50
4 Bank for International Settlements, etc.	—	—
5 Japanese local public agencies	—	—
6 Foreign public sector agencies, other than central governments	421	1,571
7 Multilateral Development Banks	0	—
8 Japan Finance Organization for Municipal Enterprises	—	562
9 Japanese government agencies	19,187	18,963
10 Three regional public corporations	0	0
11 Financial institutions and Class 1 financial product brokers	70,964	40,597
12 Corporations	37,638	53,813
13 Small and medium-sized enterprises and individuals	8	7
14 Residential housing mortgages	—	—
15 Project finance (acquisition of real estate)	—	—
16 Past due (three months or more)	1,665	65
17 Outstanding drafts	—	—
18 Guaranteed by Credit Guarantee Association	—	0
19 Guaranteed by Industrial Revitalization Corporation of Japan	—	—
20 Investments in capital and others	15,820	43,607
21 Other than above	120,928	122,118
22 Securitization (originator only)	—	—
23 Securitization (excluding originator)	370	1,362
24 Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	—	—
Total	267,067	282,719

Note: Required capital: Credit risk-adjusted assets x 4%

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

Item	March 31, 2008	March 31, 2009
1 Commitment lines that can be cancelled automatically or unconditionally at any time	—	—
2 Commitment lines with original contracts of one year or less	—	9
3 Short-term trade contingent liabilities	—	—
4 Contingent liabilities arising from specific transactions (principal reimbursement trust deeds with restructuring)	—	—
5 NIF or RUF	—	—
6 Commitment lines with an original duration of one year or longer	—	—
7 Contingent liabilities arising from directly substituted credit (of which secured with loan guarantees) (of which secured with securities) (of which secured with drafts) (of which principal reimbursement trust deeds without restructuring) (of which secured with credit derivative protection)	—	—
8 Assets sold with repurchase agreements or assets sold with right of claim (adjusted) Assets sold with repurchase agreements or assets sold with right of claim (not adjusted) Deduction	—	—
9 Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	—	—
10 Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	35,310	2,765
11 Derivative transactions (1) Foreign exchange related transactions (2) Interest rate related transactions (3) Gold-related transactions (4) Equity security related transactions (5) Precious metal related transactions (excluding gold) (6) Other commodity-related transactions (7) Credit derivative transactions (counterparty risk) Write-off of credit equivalent amount under close-out netting agreement (deduction)	5 0 4 — — — — —	155 109 42 — — — 3 —
12 Long-term settlements	0	0
13 Outstanding transaction	—	—
14 Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	—	—
15 Off-balance-sheet securitization exposure other than the above	—	—
Total	35,316	2,929

Note: Required capital: Credit risk-adjusted assets x 4%

(3) Amount of required capital for operational risk

(Millions of yen)

Item	March 31, 2008	March 31, 2009
Basic indicator approach	178,351	167,720
Total	178,351	167,720

Capital required: Amount of operational risk equivalent ÷ 8% × 4%

(4) Consolidated capital adequacy ratio, consolidated Tier I capital ratio, total amount of consolidated required capital

(Millions of yen, %)

Item	March 31, 2008	March 31, 2009
Consolidated capital adequacy ratio	60.91%	67.62%
Consolidated Tier I capital ratio	69.22%	76.42%
Total amount of consolidated required capital	480,735	453,369
Credit risk-adjusted assets × 4%	302,383	285,649
Assets (on-balance-sheet items) × 4%	267,067	282,719
Off-balance-sheet transactions, etc. × 4%	35,316	2,929
Amount of operational risk equivalent ÷ 8% × 4%	178,351	167,720

4. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

Counterparts		As of March 31, 2008				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereign	25,253,758	164,635,783	–	26,987	189,916,529
	Financial institutions	130,141,659	3,803,232	697	26,497	133,972,086
	Corporations, etc.	20,728	4,034,632	–	317,730	4,373,091
	Small and medium-sized enterprises and individuals	–	–	–	351	351
	Others (excluding the above)	2,112,075	90,857	–	3,052,296	5,255,229
	Domestic total	157,528,221	172,564,505	697	3,423,863	333,517,288
Overseas total		–	–	–	–	–
Total		157,528,221	172,564,505	697	3,423,863	333,517,288

Counterparts		As of March 31, 2009				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereign	16,501,558	162,123,242	–	25,312	178,650,112
	Financial institutions	86,524,207	5,220,703	16,188	27,448	91,788,547
	Corporations, etc.	472,012	5,629,764	–	288,857	6,390,634
	Small and medium-sized enterprises and individuals	–	–	–	329	329
	Others (excluding the above)	2,965,916	327,436	–	3,245,110	6,538,463
	Domestic total	106,463,693	173,301,146	16,188	3,587,058	283,368,087
Overseas total		–	–	–	–	–
Total		106,463,693	173,301,146	16,188	3,587,058	283,368,087

Note 1: All subsidiaries other than Japan Post Bank Co., Ltd. do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.

Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).

Note 3: Loans and deposits include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 4: Bonds include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 5: Derivatives include interest rate swaps and forward foreign exchange contracts.

Note 6: "Sovereign" includes central governments, central banks, public-sector entities, etc.

Note 7: Financial institutions include the Multilateral Development Banks, Bank for International Settlements, etc.

Note 8: "Corporations, etc." include foreign non-government public-sector entities, Japanese government agencies, three regional government corporations and business corporations.

Note 9: In calculating credit risk, credit risk related to exposure of certain subsidiaries which are unlikely to have any significant effect in the context of the overall exposure is included in "corporations, etc." and "others" under "others (excluding the above)." "Others" under "others (excluding the above)" includes fixed assets in the amount of ¥2.8815 trillion at the end of March 2009 (¥2.9766 trillion at the end of March 2008).

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	As of March 31, 2008				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	137,822,484	38,735,219	110	359,367	176,917,181
Over 1 year to 3 years	8,763,973	46,753,093	586	82	55,517,735
Over 3 years to 5 years	128,149	35,054,014	–	–	35,182,164
Over 5 years to 7 years	192,334	19,674,057	–	–	19,866,391
Over 7 years to 10 years	905,027	29,625,054	–	–	30,530,082
Over 10 years	2,235,888	2,723,066	–	–	4,958,955
Perpetual	7,480,363	–	–	3,064,413	10,544,776
Total	157,528,221	172,564,505	697	3,423,863	333,517,288

Remaining period	As of March 31, 2009				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	91,789,682	41,644,824	173	299,608	133,734,289
Over 1 year to 3 years	2,168,776	47,142,135	2,658	4	49,313,574
Over 3 years to 5 years	488,315	30,756,048	8,774	27	31,253,164
Over 5 years to 7 years	378,748	24,627,186	–	–	25,005,935
Over 7 years to 10 years	2,331,840	25,915,436	4,582	–	28,251,859
Over 10 years	3,450,433	3,215,515	–	–	6,665,948
Perpetual	5,855,897	–	–	3,287,418	9,143,316
Total	106,463,693	173,301,146	16,188	3,587,058	283,368,087

Note 1: Loans and deposits include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 2: Bonds include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 3: Derivatives include interest rate swaps and forward foreign exchange contracts.

Note 4: "Others" under "Perpetual" includes fixed assets in the amount of ¥2.8815 trillion at the end of March 2009 (¥2.9766 trillion at the end of March 2008).

(3) Outstanding period-end exposure to claims due three months or more by region, industry type and counterparty

(Millions of yen)

Counterparts		As of March 31, 2008					As of March 31, 2009				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereign	–	–	–	–	–	–	–	–	–	–
	Financial institutions	–	–	–	0	0	–	–	–	–	–
	Corporations, etc.	–	–	–	1	1	–	–	–	3	3
	Small and medium-sized enterprises and individuals	–	–	–	58	58	–	–	–	85	85
	Others (excluding the above)	–	–	–	28,802	28,802	–	–	–	2,351	2,351
	Domestic total	–	–	–	28,862	28,862	–	–	–	2,440	2,440
Overseas total		–	–	–	–	–	–	–	–	–	–
Total		–	–	–	28,862	28,862	–	–	–	2,440	2,440

Note 1: "Domestic" and "overseas" refer to the domicile of the main branch (head office).

Note 2: Loans and deposits include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 3: Bonds include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 4: Derivatives include interest rate swaps and forward foreign exchange contracts.

Note 5: "Sovereign" includes central governments, central banks, public-sector entities, etc.

Note 6: Financial institutions include the Multilateral Development Banks, Bank for International Settlements, etc.

Note 7: "Corporations, etc." include foreign non-government public-sector entities, Japanese government agencies, three regional government corporations and business corporations.

Note 8: In calculating credit risk, credit risk related to exposures at certain subsidiaries which are unlikely to have any significant effect in the context of the overall credit exposure is included in "corporations," and "others" under "others (excluding the above)."

- (4) Year-end balances and changes during the period of allowance for doubtful accounts (general reserve), allowance for doubtful accounts (specific reserve) and allowance for specific doubtful accounts (overseas claims reserve)

Year-end balance	(Millions of yen)		Change during the period	(Millions of yen)	
	March 31, 2008	March 31, 2009		2008 (Year ended March 31, 2008)	2009 (Year ended March 31, 2009)
Allowance for doubtful accounts (general reserve)	8	112	Allowance for doubtful accounts (general reserve)	8	103
Allowance for doubtful accounts (specific reserve)	—	—	Allowance for doubtful accounts (specific reserve)	—	—
Allowance for doubtful accounts (overseas claims reserve)	—	—	Allowance for doubtful accounts (overseas claims reserve)	—	—

Note 1: Allowance for doubtful accounts represents an allowance for possible losses on loans and bills discounted.
Note 2: Breakdown by industry and region is not presented since only an allowance for doubtful accounts (general reserve) is provided.

- (5) The amount of write-off of loans and bills discounted by industry and obligor
There were no write-offs.

- (6) Amount of exposure by risk weight category

Risk weight	As of March 31, 2008		As of March 31, 2009	
	Rated	Not rated	Rated	Not rated
0%	187,979,836	118,520,961	175,751,946	88,790,976
10%	—	10,930,561	—	5,521,771
20%	11,797,004	31	7,917,505	36
35%	—	—	—	—
50%	406,315	1,665	825,325	2,221
75%	—	292	—	243
100%	124,076	3,729,345	134,975	4,422,741
150%	0	27,197	124	219
350%	—	—	—	—
Other	—	—	—	—
Less capital invested by the Bank	—	—	—	—
Total	200,307,232	133,210,055	184,629,876	98,738,210

Note 1: Ratings include only those rated by eligible rating agencies.

Note 2: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Company previously recorded the entire amount of exposure in risk weighted categories prior to the application of its credit risk mitigation techniques. From fiscal 2009, the Company has changed to a method whereby it records exposure amounts in weighted categories after the application of credit risk mitigation techniques. The Company also used the revised method for recording exposure amounts as of the end of fiscal 2008.

5. Credit risk mitigation methodology

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	As of March 31, 2008		As of March 31, 2009	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Self-deposits of Japan Post Bank (Note 1)	109,788,309	96.34%	78,604,285	93.03%
Guarantees (Note 2)	4,164,102	3.65%	5,883,870	6.96%
Total	113,952,412	100.00%	84,488,155	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and marketable securities as qualified financial collateral.

Note 2: Principal guarantor is a national government or corporate entity to which a lower risk weighting than the guaranteed obligation is applied.

6. Derivative transactions and transactions with long-term settlements

Derivative transactions and long-term settlements

(Millions of yen)

Item	As of March 31, 2008			As of March 31, 2009		
	Aggregate sum of amounts of gross reconstruction costs	Aggregate sum of gross add-on amounts	Credit equivalents	Aggregate sum of amounts of gross reconstruction costs	Aggregate sum of gross add-on amounts	Credit equivalents
Interest rate related transactions						
Interest rate swaps	86	500	586	303	4,335	4,638
Currency-related transactions						
Forward foreign exchange contracts	26	84	110	23	11,526	11,549
Long-term settlements	6	—	6	0	—	0
Total	119	584	704	327	15,861	16,189

Note 1: Credit equivalent amounts are calculated by the "current exposure method."

Note 2: There were no risks mitigated using the risk mitigation by collateral method and credit derivatives.

Note 3: Limited to transactions on which gross reconstruction costs are not less than zero.

Note 4: In accordance with Article 57, Paragraph 1 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, derivatives do not include foreign exchange related transactions with original contract periods of five days or less.

Note 5: Long-term settlement period transactions are transactions resulting from receipt/delivery of securities with transaction settlement periods of five trading days or longer.

7. Securitization exposure

Securitization exposure in which the Group invests:

(1) Breakdown by type of original asset

(Millions of yen)

Type of original asset	As of March 31, 2008	As of March 31, 2009
Residential mortgages	22,706	87,598
Auto loans	8,406	13,592
Leases	10,206	19,581
Consumer loans	5,005	13,742
Corporate entities and others	–	71,669
Total	46,323	206,184

(2) Balance by risk weight and amount of required capital

(Millions of yen)

Risk weight	As of March 31, 2008		As of March 31, 2009	
	Capital invested	Required capital	Capital invested	Required capital
To 20%	–	–	71,669	286
20%	46,323	370	134,514	1,076
50%	–	–	–	–
100%	–	–	–	–
150%	–	–	–	–
Capital deduction	–	–	–	–
Total	46,323	370	206,184	1,362

Note 1: Required capital: Credit risk assets × 4%

Note 2: There were no credit risk assets falling under Article 15 of Supplementary Provisions of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Note 3: There was no securitization exposure deducted from capital under Article 225 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

8. Market risk

Not applicable since the Group, based on Article 16 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, does not enter market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the said notice

9. Equity exposure in the banking account

(1) Amount carried on the consolidated balance sheet and market value

(Millions of yen)

	March 31, 2008		March 31, 2009	
	Amount carried on the balance sheet	Market value	Amount carried on the balance sheet	Market value
Listed equities exposure	–	–	–	–
Investment and equities exposure not corresponding to listed equities exposure	–	–	67,379	67,379
Total	–	–	67,379	67,379

Note: Equity securities managed in money held in trust are not included.

(2) Gains and losses accompanying the sale or amortization of investment or stock exposure

(Millions of yen)

	2008 (Year ended March 31, 2008)	2009 (Year ended March 31, 2009)
Gain (Loss)	–	–
Gain on sale	–	–
Loss on sale	–	–
Amortization	–	–

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income

(3) Amounts of valuation gains and losses recognized on Consolidated Balance Sheet not recognized previously on the Consolidated Statements of Income

(Millions of yen)

Amounts of valuation gains and losses recognized on Consolidated Balance Sheet not recognized previously on the Consolidated Statements of Income	2008 (Year ended March 31, 2008)	2009 (Year ended March 31, 2009)
	–	(82)

Note: Stocks with market quotations of affiliated companies are listed.

(4) Amounts of valuation gains and losses not recognized on the consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	2008 (Year ended March 31, 2008)	2009 (Year ended March 31, 2009)
	–	–

Note: Stocks with market quotations of affiliated companies are listed.

10. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used

11. Interest rate risk in the banking account

Profit/loss related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account

(Billions of yen)

Loss	March 31, 2008	March 31, 2009
	20,847	18,083

Note: Interest rate scenarios use 1% and 99% percentiles for interest rate fluctuations based on a holding period of one year and an observation period of five years.

2. Japan Post Holdings Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2009 and 2008 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.

(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)	Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)
Assets			Liabilities		
Current assets (excluding contribution to society and community funds assets)			Current liabilities		
Cash and deposits	¥ 27,296	¥ 13,935	Short-term borrowings	¥ 22,000	¥ —
Accounts receivable	271,699	101,253	Accounts payable	30,117	31,370
Inventories	390	1,014	Income taxes payable	249,446	68,334
Short-term loan	—	110	Consumption taxes payable	641	823
Prepaid expenses	61	62	Accrued expenses	1,024	1,332
Other current assets	32	147	Reserve for employees' bonuses	2,134	2,290
Allowance for doubtful accounts	(32)	(29)	Other current liabilities	1,340	599
Total current assets	299,447	116,493	Total current liabilities	306,705	104,750
Non-current assets (excluding contribution to society and community funds assets)			Long-term liabilities		
Tangible fixed assets			Reserve for employees' retirement benefits	1,321,456	1,238,286
Buildings—net	46,331	43,377	Reserve for directors' retirement benefits	39	73
Structures—net	846	791	Reserve for compensation for accidents in the course of duty	28,809	27,586
Machinery—net	631	559	Deferred tax liabilities	1,733	6,208
Vehicles—net	54	128	Other long-term liabilities	296	1,240
Tools and fixtures—net	37,923	40,148	Total long-term liabilities	1,352,335	1,273,394
Land	95,747	94,465	Total Liabilities	¥1,659,040	¥1,378,144
Construction in progress	16	308	Net Assets		
Total tangible fixed assets	181,552	179,779	Shareholders' equity		
Intangible fixed assets			Capital stock	¥3,500,000	¥3,500,000
Software	29,494	28,366	Capital surplus		
Other intangible fixed assets	206	1,204	Capital reserve	4,503,856	4,503,856
Total intangible fixed assets	29,701	29,571	Total capital surplus	4,503,856	4,503,856
Investments and other assets			Retained earnings		
Stock of related parties	9,194,774	9,194,774	Other retained earnings		
Long-term prepaid expenses	104	122	Unappropriated retained earnings	38,435	128,039
Claims in bankruptcy	40	82	Total retained earnings	38,435	128,039
Other investments	12	121	Total shareholders' equity	8,042,291	8,131,895
Allowance for doubtful accounts	(40)	(82)	Contribution to society and community funds	4,259	15,162
Total investments and other assets	9,194,890	9,195,019	Valuation and translation adjustments of contribution to society and community funds	—	56
Total non-current assets	9,406,144	9,404,370	Total Net Assets	¥8,046,551	¥8,147,114
Contribution to society and community funds assets			Total Liabilities and Net Assets	¥9,705,592	¥9,525,259
Money held in trust	—	4,395			
Total contribution to society and community funds assets	—	4,395			
Total Assets	¥9,705,592	¥9,525,259			

2 Statements of Income

(Millions of yen)

Item	2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Operating income		
Commissions from subsidiaries and affiliates	¥ 13,443	¥ 19,695
Dividend income from affiliated companies	—	41,341
Income from consigned businesses	37,113	83,467
Subsidies related to former savings accounts	51,185	97,732
Income from medical services	12,222	23,193
Income from accommodation services	18,938	37,668
Total operating income	132,904	303,099
Operating expenses		
Expenses for consigned businesses	36,549	83,307
Expenses for medical services	13,762	28,253
Expenses for accommodation services	19,357	42,871
Administrative expenses	28,864	41,493
Total operating expenses	98,534	195,925
Net operating income	34,369	107,173
Other income		
Interest on securities	2,278	—
Rents received	1,541	3,143
Others	451	914
Total other income	4,270	4,058
Other expenses		
Interest expenses	264	134
Lease cost	483	961
Others	68	255
Total other expenses	816	1,352
Income (expenses) from contribution to society and community fund assets		
Income from contribution to society and community fund assets	—	40
Expenses for contribution to society and community fund assets	—	0
Total income from contribution to society and community fund assets	—	40
Net ordinary income	37,824	109,919
Extraordinary gains		
Reversal of allowance for doubtful accounts	52	—
Gains on sales of fixed assets	9	19
Reversal of pension mutual aid program contribution	—	3,922
Other extraordinary gains	0	12
Total extraordinary gains	62	3,954
Extraordinary losses		
Losses on sales of fixed assets	25	—
Losses on disposal of fixed assets	160	3,988
Impairment losses	599	2,358
Other extraordinary losses	—	590
Total extraordinary losses	785	6,937
Net income before income taxes	37,101	106,936
Income taxes current	(7,230)	(6,525)
Income taxes deferred	1,733	4,436
Total income taxes	(5,497)	(2,089)
Net income	¥ 42,598	¥109,026

3 Statements of Changes in Net Assets

(Millions of yen)

	2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)		2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Shareholders' equity			Contribution to society and community funds		
Capital stock			Balance at the end of the previous fiscal year	¥ —	¥ 4,259
Balance at the end of the previous fiscal year	¥ 150,000	¥3,500,000	Changes during the period		
Changes during the period			Net changes other than shareholders' equity	4,259	10,902
Issuance of new shares	3,350,000	—	Total changes during the period	4,259	10,902
Total changes during the period	3,350,000	—	Balance at the end of the current fiscal year	¥ 4,259	¥ 15,162
Balance at the end of the current fiscal year	¥3,500,000	¥3,500,000	Valuation and translation adjustments of contribution to society and community funds		
Capital surplus			Balance at the end of the previous fiscal year	¥ —	¥ —
Capital reserve			Changes during the period		
Balance at the end of the previous fiscal year	¥ 150,000	¥4,503,856	Net changes other than shareholders' equity	—	56
Changes during the period			Total changes during the period	—	56
Issuance of new shares	4,353,856	—	Balance at the end of the current fiscal year	¥ —	¥ 56
Total changes during the period	4,353,856	—	Valuation and translation adjustments		
Balance at the end of the current fiscal year	¥4,503,856	¥4,503,856	Net unrealized gains (losses) on available-for-sale securities		
Retained earnings			Balance at the end of the previous fiscal year	¥ 258	¥ —
Other retained earnings			Changes during the period		
Unappropriated retained earnings			Net changes other than shareholders' equity	(258)	—
Balance at the end of the previous fiscal year	¥ 96	¥ 38,435	Total changes during the period	¥ (258)	¥ —
Changes during the period			Balance at the end of the current fiscal year	—	—
Cash dividends	—	(8,520)	Total net assets		
Net income for the period	42,598	109,026	Balance at the end of the previous fiscal year	¥ 300,355	¥8,046,551
Contribution to society and community funds	(4,259)	(10,902)	Changes during the period		
Total changes during the period	38,338	89,603	Issuance of new shares	7,703,856	—
Balance at the end of the current fiscal year	¥ 38,435	¥ 128,039	Cash dividends	—	(8,520)
Total shareholders' equity			Net income for the period	42,598	109,026
Balance at the end of the previous fiscal year	¥ 300,096	¥8,042,291	Contribution to society and community funds	(4,259)	(10,902)
Changes during the period			Net changes other than shareholders' equity	4,001	10,959
Issuance of new shares	7,703,856	—	Total changes during the period	7,746,196	100,563
Cash dividends	—	(8,520)	Balance at the end of the current fiscal year	¥8,046,551	¥8,147,114
Net income for the period	42,598	109,026			
Contribution to society and community funds	(4,259)	(10,902)			
Total changes during the period	7,742,194	89,603			
Balance at the end of the current fiscal year	¥8,042,291	¥8,131,895			

4 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for securities and money held in trust

(1) Shares of non-consolidated subsidiaries and affiliates not accounted for by the equity method and shares of affiliates not accounted for by the equity method are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date. Available-for-sale securities with market quotations are stated at fair market value on the balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.

(2) Securities managed as assets of money held in trust are valued at amortized cost by a method similar to the one stated in (1).

Valuation and translation adjustments of contribution to society and community funds assets are listed under "Valuation and translation adjustments of contribution to society and community funds" in net assets as prescribed by the provisions of Article 12, Paragraph 4 of the Japan Post Holdings Law.

2. Valuation criteria and methods for inventories

Inventories are stated at cost using the moving-average method (writing down the book value of inventories based on decreased profitability).

(Change in accounting policy)

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) by the Accounting Standards Board of Japan. This change has no impact on the financial statements.

3. Depreciation/amortization method for non-current assets

(1) Tangible fixed assets (excluding leased assets)

Tangible fixed assets are depreciated using the declining-balance method (except for buildings, which are depreciated using the straight-line method).

Useful lives for main depreciable items are as follows:

Buildings: 2-50 years

Others: 2-60 years

(2) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method.

The useful lives are determined in accordance with the Corporation Tax Law.

The software used in-house is amortized over the prescribed useful lives (mainly 5 years).

(3) Leased assets

Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

(Changes in accounting policy)

Effective from the current fiscal year, Japan Post Holdings adopted the "Accounting Standard for Lease Transactions (ASBJ Statement No.13, revised on March 30, 2007)" and "Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16)" issued by the Accounting Standards Board of Japan.

The effect of this change was immaterial to the financial statement.

4. Criteria for allowances and reserves

(1) Allowance for doubtful accounts

To reserve for losses on doubtful accounts, general allowances is provided using a rate determined by past bad debt experience and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability of certain doubtful accounts.

(2) Reserve for employees' bonuses

To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.

(3) Reserve for employees' retirement benefits

(i) To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (10 years) within the average remaining service years of the employees when incurred.

(ii) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for the service period in and before December 1958 of those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(iii) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) (hereinafter referred to as "share of another public service pension") and retired in and before December 1958 are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (five years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(4) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, reserve for directors' retirement benefits is recorded in an actual amount needed at the end of the current fiscal year based on the Company's regulations.

(5) Reserve for compensation for accidents in the course of duty

To provide for the need to pay compensation to employees (or the families of the deceased) for accidents they were involved in during their duty or during commuting, reserve for compensation for accidents in the course of duty is posted as liabilities in the current fiscal year.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (15 years) within the average remaining service years of the employees when incurred.

5. Principal matters serving as the basis for preparing financial statements

(1) Accounting for consumption taxes

All figures are net of consumption taxes.

(2) Adoption of the consolidated tax payment system

The Company employs the consolidated tax payment system, with Japan Post Holdings Co., Ltd. as the parent company.

(3) Contribution to society and community funds is stipulated in Article 13 of the Japan Post Holdings Law.

2. Change in Presentation

(Statements of Income)

Because of its decreased importance, "interest on securities" (¥20 million in the current fiscal year," which was listed as a separate category in the previous fiscal year, is included in "other" within other ordinary income beginning in the current fiscal year.

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets:	¥23,073 million
2. Assets in affiliated companies	
Accounts receivable	¥97,190 million
3. Inventories	
Supplies	¥1,014 million

2. Notes to Statements of Income

The following shows operating transactions and other transactions with affiliates.

Operating income	
Income from consigned businesses	¥83,125 million
Subsidies related to former savings account	¥97,732 million
Other income	
Rents received	¥3,107 million

3. Notes to Statements of Changes in Net Assets

Dividends

Article 11 of the Japan Post Holdings Law provides that dividends from retained earnings are to be approved by the Minister of Internal Affairs and Communications.

Dividend Payments

(Resolution)	Type of stock	Total dividends (millions of yen)	Total dividends per share (yen)	Record date	Effective date
Date approved by resolution of the Board of Directors: June 25, 2008	Common stock	8,520	56.80	March 31, 2008	June 26, 2008

4. Notes to Retirement Benefits

1. Retirement benefits

(1) Summary of retirement benefits

Japan Post Holdings has a lump-sum severance payment plan based on an in-house savings system in accordance with the Company's regulations on retirement benefits in addition to the mutual aid pension program in accordance with the Law Concerning the Mutual Aid Association of National Public Workers.

(2) Information about retirement benefit obligation

(Millions of yen)

2009 (As of March 31, 2009)	
Retirement benefit obligation	(35,780)
Unfunded pension liabilities	(35,780)
Unrecognized actuarial differences	(274)
Reserve for employees' retirement benefits	(36,055)

(3) Information about retirement benefit expenses

(Millions of yen)

2009 (From April 1, 2008 to March 31, 2009)	
Service cost	1,983
Interest cost	572
Amortized actuarial differences	(76)
Retirement benefit expenses	2,479

(4) Assumptions for the calculation of pension liabilities

2009 (As of March 31, 2009)	
Recognition of projected pension liabilities:	Straight-line method over the determined period
Discount rate:	1.6%
Recognition period of actuarial differences:	10 years

2. Share of public service pension

(1) Retirement benefit obligation related to share of public service pension

(Millions of yen)

2009 (As of March 31, 2009)	
Retirement benefit obligation related to share of public service pension	(1,183,963)
Unrecognized actuarial differences	(14,620)
Reserve for employees' retirement benefits related to share of public service pension	(1,198,584)

(2) Retirement benefit expenses related to share of public service pension (For the period from April 1, 2008 to March 31, 2009)

(Millions of yen)

2009 (From April 1, 2008 to March 31, 2009)	
Interest cost	21,793
Amortized actuarial difference	130
Retirement benefit expenses related to share of public service pension	21,924

(3) Assumptions for the calculation of pension liabilities

2009 (As of March 31, 2009)	
Discount rate:	1.7%
Recognition period of actuarial differences:	10 years

3. Share of another public service pension

(1) Information about the share of another public service pension

(Millions of yen)

2009 (As of March 31, 2009)	
Retirement benefit obligation related to share of another public service pension	(3,622)
Unrecognized actuarial differences	(23)
Reserve for share of another public service pension	(3,646)

(2) Retirement benefit expenses related to share of another public service pension

(Millions of yen)

2009 (From April 1, 2008 to March 31, 2009)	
Interest cost	46
Amortized prior service cost	(4)
Retirement benefit expenses related to share of another public service pension	42

(3) Assumptions for retirement benefit obligation

2009 (As of March 31, 2009)	
Discount rate:	1.1%
Recognition period of actuarial differences:	5 years

5. Notes to Deferred Tax Assets and Liabilities

The major components causing deferred tax assets are as follows.

Deferred tax assets	
Reserve for employees' retirement benefits:	¥ 503,848 million
Reserve for employees' bonuses:	¥ 931 million
Operating loss carryforwards:	¥ 6,252 million
Others:	¥ 2,737 million
Sub-total:	¥ 513,771 million
Valuation allowance for deferred tax assets:	¥ (513,771) million
Total deferred tax assets:	- million
Deferred tax liabilities	
Contribution to society and community funds:	¥ 6,169 million
Valuation and translation adjustments of contribution to society and community funds:	¥ 38 million
Total deferred tax liabilities:	¥ 6,208 million
Net deferred tax assets (negative for liabilities):	¥ (6,208) million

6. Leased Fixed Assets

In addition to the fixed assets on the balance sheet, some other tools and fixtures are used under finance lease contracts that do not involve title transfer.

7. Notes to Transactions with Related Parties

Type of relationship	Subsidiary
Company name	Japan Post Bank Co., Ltd.
Ownership	Directly Owns 100% of the stock
Description of relationship	Important subsidiary engaged in operating the banking business
Description of transactions	Receiving subsidies (Note 1)
Transaction amount (millions of yen)	97,732
Account name	-
Balance as of March 31, 2009	-

The transaction amount does not include consumption taxes.

Conditions of transactions and policies for deciding such conditions

Note 1: We receive subsidies in accordance with Article 122 of the Postal Services Privatization Act (2005, Law No. 97).

8. Per Share Information

Net assets per share:	¥54,314.10
Net income per share:	¥726.84

9. Others

Reserve for compensation for accidents in the course of duty

(1) Information about the compensation for accidents in the course of duty

(Millions of yen)

2009 (As of March 31, 2009)	
Obligation related to compensation for accidents in the course of duty	(29,855)
Unrecognized actuarial differences	2,269
Reserve for compensation for accidents in the course of duty	(27,586)

(2) Information about the cost for compensation for accidents in the course of duty

(Millions of yen)

2009 (From April 1, 2008 to March 31, 2009)	
Interest cost	608
Amortized actuarial difference	109
Cost for compensation for accidents in the course of duty	718

(3) Assumptions for calculating the obligation for compensation

2009 (As of March 31, 2009)	
Discount rate:	2.0%
Recognition period of actuarial differences:	15 years

10. Subsequent Events

None

3. Japan Post Network Co., Ltd.

— Non-consolidated Financial Data

The balance sheets as of March 31, 2009 and 2008 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.

(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)	Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥1,992,488	¥1,888,026	Accounts payable—trade	¥ 3,918	¥ 4,791
Accounts receivable—trade	106,243	109,276	Accounts payable	88,168	123,520
Securities	—	96,000	Postal service business consignment payable	18,731	16,072
Real estate for sale in progress	—	1,576	Banking business consignment payable	—	38,443
Merchandise	—	19	Accrued expenses	33,537	23,591
Supplies	870	1,251	Income taxes payable	7,340	11,326
Prepaid expenses	574	453	Consumption taxes payable	25,172	10,129
Accounts receivable	7,270	6,689	Deposits received	4,382	4,246
Banking business consignment receivable	42,469	—	Fund deposits for post offices	1,650,000	1,550,000
Insurance business consignment receivable	35,939	76,522	Reserve for employees' bonuses	57,871	55,929
Other current assets	35,649	28,094	Other current liabilities	1,991	1,301
Allowance for doubtful accounts	(25)	(32)	Total current liabilities	1,891,115	1,839,354
Total current assets	2,221,481	2,207,877	Long-term liabilities		
Non-current assets			Long-term debt	213	142
Tangible fixed assets			Reserve for employees' retirement benefits	1,183,445	1,161,975
Buildings—net	380,845	363,529	Reserve for directors' retirement benefits	23	72
Structures—net	18,216	16,169	Reserve for loss on rebuilding of branches	—	4,127
Machinery—net	323	259	Negative goodwill	894	696
Automobiles and other vehicles—net	621	860	Other long-term liabilities	6,116	5,827
Tools and fixtures—net	37,961	27,998	Total long-term liabilities	1,190,694	1,172,841
Land	620,558	615,725	Total Liabilities	¥3,081,809	¥3,012,195
Construction in progress	756	2,764	Net Assets		
Total tangible fixed assets	1,059,283	1,027,306	Shareholders' equity		
Intangible fixed assets			Capital stock	¥ 100,000	¥ 100,000
Leaseholds	1,666	1,667	Capital surplus		
Telephone rights	159	159	Capital reserve	100,000	100,000
Software	2,620	3,558	Total capital surplus	100,000	100,000
Other intangible fixed assets	91	219	Retained earnings		
Total intangible fixed assets	4,538	5,605	Other retained earnings		
Investments and other assets			Unappropriated retained earnings	4,678	44,352
Investment securities	—	14,450	Total retained earnings	4,678	44,352
Stock of related parties	200	200	Total shareholders' equity	204,678	244,352
Other assets	1,264	1,520	Total Net Assets	¥ 204,678	¥ 244,352
Allowance for doubtful accounts	(279)	(413)			
Total investments and other assets	1,184	15,758	Total Liabilities and Net Assets	¥3,286,487	¥3,256,547
Total non-current assets	1,065,006	1,048,670			
Total Assets	¥3,286,487	¥3,256,547			

2 Statements of Income

(Millions of yen)

Item	2008 (From October 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Operating income		
Commissions for postal service business consignment	¥103,066	¥ 213,201
Commissions for banking business consignment	301,046	648,147
Commissions for insurance business consignment	207,942	415,210
Other fees and commissions	3,825	16,670
Total operating income	615,880	1,293,229
Operating expenses	555,340	1,112,405
Gross operating income	60,539	180,823
Sales, general and administrative cost	53,021	112,448
Net operating income	7,517	68,375
Other income		
Rents received	15,797	25,834
Others	2,682	7,125
Total other income	18,480	32,960
Other expenses		
Lease cost	7,152	15,884
Others	309	1,570
Total other expenses	7,462	17,455
Net ordinary income	18,535	83,880
Extraordinary gains		
Gain on sales of fixed assets	2	1,136
Compensation for transfer	298	420
Other extraordinary gains	26	24
Total extraordinary gains	327	1,581
Extraordinary losses		
Losses on sales of fixed assets	0	6
Losses on disposal of fixed assets	196	239
Impairment losses	257	230
Provisions for losses on rebuilding of branches	—	4,127
Other extraordinary losses	10	42
Total extraordinary losses	464	4,646
Net income before income taxes	18,397	80,815
Income taxes current	13,719	34,283
Income taxes for prior periods	—	5,688
Total income taxes	13,719	39,971
Net income	¥ 4,678	¥ 40,843

3 Statements of Changes in Net Assets

(Millions of yen)

	2008 (From October 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥100,000	¥100,000
Balance at the end of the current fiscal year	¥100,000	¥100,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥100,000	¥100,000
Balance at the end of the current fiscal year	¥100,000	¥100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	¥ —	¥ 4,678
Changes during the period		
Cash dividends	—	(1,169)
Net income	4,678	40,843
Total changes during the period	4,678	39,674
Balance at the end of the current fiscal year	¥ 4,678	¥ 44,352
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥200,000	¥204,678
Changes during the period		
Cash dividends	—	(1,169)
Net income	4,678	40,843
Total changes during the period	4,678	39,674
Balance at the end of the current fiscal year	¥204,678	¥244,352

4 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

1. Valuation criteria and methods for securities

(1) Held-to-maturity securities

Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method.

(2) Shares of subsidiaries and related parties

Shares of subsidiaries and related parties is recognized at cost using the moving-average method.

(3) Available-for-sale securities

Securities without market quotations are stated at cost using the moving-average method.

2. Valuation criteria and methods for inventories

(1) Real estate for sale in progress (Real estate under development)

Real estate for sale in progress is recognized at cost based on the specific cost method (writing down the book value of inventories based on decreased profitability).

(2) Other inventories

Other inventories are recognized at cost based on the moving-average method (writing down the book value of inventories based on decreased profitability).

(Change in accounting policy)

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) by the Accounting Standards Board of Japan.

This change has no impact on the financial statements.

3. Depreciation/amortization method for non-current assets

(1) Tangible fixed assets (excluding leased assets)

Tangible fixed assets are depreciated using the declining-balance method (except that buildings excluding accompanying equipment employ the straight-line method).

Useful lives in general are as follows:

Buildings: 2-50 years

Others: 2-60 years

(2) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method.

The software used in-house is amortized over the prescribed useful lives (5 years).

(3) Leased assets

Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

(Changes in accounting policy)

Effective from the current fiscal year, the Company adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, revised on March 30, 2007) and the "Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No. 16) issued by the Accounting Standards Board of Japan.

These changes had no material impact on the financial statements.

4. Criteria for allowances and reserves

(1) Allowance for doubtful accounts

To reserve for losses on doubtful accounts, general allowance is provided using a rate determined by past bad debt experience and also specific allowance is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.

(2) Reserve for employees' bonuses

To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.

(3) Reserve for employees' retirement benefits

To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit

obligation and related pension assets at the end of the current fiscal year. Prior service cost is to be charged to expenses using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.

(4) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, the Company provides a reserve for directors' retirement benefits, in accordance with its internal rules, that is deemed to have accrued on the balance sheet date.

(5) Reserve for loss on rebuilding of branches (post offices)

To provide for losses incurred in rebuilding branches (post offices) as part of the real estate development business, the Company records the amount of expected losses as of the end of the fiscal year. Specifically, reserve for loss on rebuilding of branches is recorded based on expected losses at the end of the fiscal year. The losses are mainly composed of those of existing buildings and expected removal.

5. Other important assumptions for financial statements

(1) Consumption taxes

All figures are net of consumption taxes.

(2) Consolidated tax payment system

The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

(3) Amortization of negative goodwill

The business that mediates delivery of *furusato kozutsumi* ("small parcels from hometown"), which used to be operated by the Postal Service Center, a juridical foundation, was transferred to Japan Post Network on October 1, 2007, and negative goodwill was recognized concerning the transfer.

The negative goodwill is amortized by the straight-line method (over 5 years).

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Notes to Balance Sheets

(1) The following is pledged as collateral for performing services as the Bank of Japan revenue sub-agents:

Investment securities: ¥14,450 million

(2) Pledged as collateral for a long-term loan of ¥142 million

Land: ¥1,489 million

Buildings and others: ¥1,142 million

2. Accumulated depreciation of tangible fixed assets: ¥62,742 million

3. Contingent liabilities

Some of the lease contracts for the precincts of post offices have been taken over from the former Japan Post. Such contracts state that the lesser retains the right to call for compensation if Japan Post Network Co., Ltd. cancels all or part of the lease contracts. The amount of such cancellation compensation is to be calculated based on the remaining portion of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2009, the potential cancellation claims were ¥168,366 million.

However, if the buildings are not to be demolished, the compensation does not cover the entire remaining portion of the initial investment.

4. Receivables and payables involving related parties

Short-term receivables: ¥184 million

Short-term payables: ¥12,327 million

5. Others

The fund deposits for post offices presented on the balance sheets are those received in advance to prepare for the need to refund deposits and pay insurance benefits in accordance with the consignment agreements with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

The following shows the details of such deposits.

Japan Post Bank Co., Ltd.: ¥1,340,000 million

Japan Post Insurance Co., Ltd.: ¥210,000 million

2. Notes to Statements of Income

The following shows operating transactions and other transactions with affiliates.

Operating transactions (received): –

Operating transactions (paid): ¥30,441 million

Transactions other than operational (received): ¥1,835 million

Transactions other than operational (paid): ¥0 million

3. Notes to Statements of Changes in Net Assets

1. Information concerning outstanding shares

(Shares)

Type of shares	Number of shares as of March 31, 2008	Increase	Decrease	Number of shares as of March 31, 2009
Common	4,000,000	-	-	4,000,000

2. Appropriation of retained earnings

(1) Cash dividends (paid)

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular shareholders meeting on June 18, 2008	Common	1,169	292.39	March 31, 2008	June 18, 2008

(2) The following dividends are those recorded during the term but effective only in the next term.

Resolution planned	Type of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular shareholders meeting on June 24, 2009	Common	Retained earnings	10,211	2,552.75	March 31, 2009	June 24, 2009

4. Notes to Deferred Tax Assets and Liabilities

The major components causing deferred tax assets are as follows.

Reserve for employees' retirement benefits: ¥472,798 million

Reserve for employees' bonuses: ¥22,757 million

Others: ¥17,915 million

Sub-total: ¥513,471 million

Valuation allowance for deferred tax assets: ¥(513,471) million

Total deferred tax assets: –

Net deferred tax assets: –

5. Notes to Transactions with Related Parties

Fellow subsidiaries

Type of relationship	Company name	Voting rights (owning or being owned by)	Description of relationship		Description of transactions	Transaction amount (millions of yen)	Account name	Balance at the end of the term (millions of yen)
			Interlocking directors	Business Relationship				
Subsidiary of the common parent	Japan Post Service Co., Ltd.	-	One concurrent	Business consignment	Commissions for business consignment	213,201	Accounts receivable	16,625
					Rents receivable	18,500	Outstanding collections	1,634
Subsidiary of the common parent	Japan Post Bank Co., Ltd.	-	Three concurrent	Business consignment	Commissions for business consignment	648,147	Accounts receivable	54,838
					Funds received and paid pursuant to consigned business	1,380,712	Fund deposits for post offices Banking business consignment receivable	1,340,000 38,443
Subsidiary of the common parent	Japan Post Insurance Co., Ltd.	-	-	Business consignment	Commissions for business consignment	415,210	Accounts receivable	37,320
					Funds received and paid pursuant to consigned business	210,000	Fund deposits for post offices Insurance business consignment receivable	210,000 76,522

Note 1: The transaction amount does not include consumption taxes. However, the balance at the end of the term includes consumption taxes.

Note 2: Conditions of transactions and policies for deciding such conditions

- Commissions for business consignment: Commissions are determined based on the volume of business in accordance with the consignment agreement with each affiliated company.
- Rents receivable: Rents are determined considering the market price.
- Fund deposits for post offices: Fund deposits for post offices are deposits received in advance to prepare for the need to pay insurance benefits in accordance with the consignment agreement with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.
- Business consignment receivable/payable: Funds received and paid at the post office windows pursuant to the business consignment agreements are settled with each affiliated company. Transaction amounts are settled two days after the transactions. However, the transaction volume is so huge that the actual transaction amounts are not disclosed.

6. Notes to Retirement Benefits

- Summary of retirement benefits
Japan Post Network has a defined benefit pension plan, and also provides lump-sum severance payments in accordance with the company's regulations on retirement benefits.
- Information about retirement benefit obligation

1 Retirement benefit obligation:	¥(1,152,414)million
2 Pension assets:	-
3 Unfunded pension liabilities (1+2):	¥(1,152,414)million
4 Unrecognized actuarial differences:	¥ (10,434)million
5 Unrecognized prior service cost:	¥873 million
6 Net amount on balance sheet (3+4+5):	¥(1,161,975)million
7 Prepaid retirement benefit expenses:	-
8 Reserve for employees' retirement benefits (6-7):	¥(1,161,975)million
- Information about retirement benefit expenses

1 Service cost:	¥57,312 million
2 Interest cost:	¥19,956 million
3 Expected return on pension assets:	-
4 Amortized prior service cost:	¥67 million
5 Amortized actuarial differences:	¥(602)million
- Assumptions for the calculation of pension liabilities

1 Recognition of projected pension liabilities: Straight-line method over the determined period	
2 Discount rate:	1.7%
3 Recognition period of actuarial differences:	14 years
4 Recognition period of prior service cost:	14 years

7. Per Share Information

Net assets per share:	¥61,088.12
Net income per share:	¥10,210.97

8. Subsequent Events

None

4. Japan Post Service Co., Ltd.

— Non-consolidated Financial Data

The balance sheets as of March 31, 2009 and 2008 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.

(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)	Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	¥ 520,015	¥ 393,491	Accounts payable-trade	¥ 55,690	¥ 51,495
Accounts receivable-trade	150,185	132,129	Accounts payable	152,227	139,890
Securities	—	80,000	Accrued expenses	6,641	8,802
Merchandise	1,847	2,574	Income taxes payable	16,863	—
Supplies	2,473	3,373	Consumption taxes payable	36,902	—
Prepaid expenses	1,154	1,175	Advance postal fees received	42,126	39,774
Income taxes receivable	—	3,653	Deposits received	440,424	399,586
Other current assets	7,094	11,812	Reserve for employees' bonuses	53,500	54,087
Allowance for doubtful accounts	(1,010)	(188)	Other current liabilities	1,328	963
Total current assets	681,758	628,022	Total current liabilities	805,706	694,600
Non-current assets			Long-term liabilities		
Tangible fixed assets			Reserve for employees' retirement benefits	1,070,414	1,068,797
Automobiles and other vehicles-net	2,853	1,557	Reserve for directors' retirement benefits	20	62
Buildings-net	703,264	664,450	Reserve for refund for Fumi Cards	897	510
Structures-net	16,010	14,522	Other long-term liabilities	3,074	4,251
Machinery-net	30,828	25,771	Total long-term liabilities	1,074,406	1,073,622
Tools and fixtures-net	24,338	18,569	Total Liabilities	¥1,880,112	¥1,768,223
Land	634,098	634,083	Net Assets		
Construction in progress	1,922	398	Shareholders' equity		
Total tangible fixed assets	1,413,316	1,359,352	Capital stock	¥ 100,000	¥ 100,000
Intangible fixed assets			Capital surplus		
Software	14,243	20,114	Capital reserve	100,000	100,000
Other intangible fixed assets	1,829	1,980	Total capital surplus	100,000	100,000
Total intangible fixed assets	16,073	22,094	Retained earnings		
Investments and other assets			Other retained earnings	69,487	81,928
Stock of related parties	37,692	38,799	Unappropriated retained earnings	69,487	81,928
Claims in bankruptcy	1,412	1,843	Total retained earnings	69,487	81,928
Other assets	758	1,873	Total shareholders' equity	269,487	281,928
Allowance for doubtful accounts	(1,412)	(1,835)	Total Net Assets	¥ 269,487	¥ 281,928
Total investments and other assets	38,451	40,681	Total Liabilities and Net Assets	¥2,149,599	¥2,050,151
Total non-current assets	1,467,841	1,422,128			
Total Assets	¥2,149,599	¥2,050,151			

2 Statements of Income

(Millions of yen)

Item	2008 (From October 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Operating income	¥1,053,676	¥1,865,282
Operating expenses	893,647	1,724,671
Gross operating income	160,028	140,611
Sales, general and administrative cost	56,254	95,722
Net operating income	103,773	44,888
Other income		
Rents received	13,269	19,610
Others	1,401	2,601
Total other income	14,670	22,211
Other expenses		
Lease cost	3,971	6,888
Others	709	1,236
Total other expenses	4,680	8,125
Net ordinary income	113,763	58,974
Extraordinary gains		
Gains on revision of income and expense in the previous year	—	1,122
Reversal of allowance for doubtful accounts	—	292
Reversal of reserve for refund for Fumi Cards	207	284
Other extraordinary gains	4	121
Total extraordinary gains	211	1,822
Extraordinary losses		
Losses on revision of income and expense in the previous year	—	3,118
Losses on disposal of fixed assets	1,271	977
Other extraordinary losses	107	3
Total extraordinary losses	1,379	4,099
Net income before income taxes	112,595	56,697
Income taxes current	43,108	23,353
Income taxes for prior periods	—	3,530
Total income taxes	43,108	26,884
Net income	¥ 69,487	¥ 29,812

3 Statements of Changes in Net Assets

(Millions of yen)

	2008 (From October 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥100,000	¥100,000
Balance at the end of the current fiscal year	¥100,000	¥100,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥100,000	¥100,000
Balance at the end of the current fiscal year	¥100,000	¥100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	¥ —	¥ 69,487
Changes during the period		
Cash dividends	—	(17,371)
Net income	69,487	29,812
Total changes during the period	69,487	12,440
Balance at the end of the current fiscal year	¥ 69,487	¥ 81,928
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥200,000	¥269,487
Changes during the period		
Cash dividends	—	(17,371)
Net income	69,487	29,812
Total changes during the period	69,487	12,440
Balance at the end of the current fiscal year	¥269,487	¥281,928

4 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for assets

(1) Valuation criteria and methods for securities

Shares of subsidiaries and related parties

Shares of subsidiaries and related parties is stated at cost using the moving-average method.

Available-for-sale securities

Securities without market quotations are stated at cost using the moving-average method.

(2) Valuation criteria and methods for inventories

Merchandise and supplies are recognized at cost using the moving-average method (carrying amounts on the balance sheet are computed by writing down the book value of inventories based on decreased profitability).

(Change in accounting policy)

Effective from the end of the current fiscal year, the Company has adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) by the Accounting Standards Board of Japan. This change has no impact on the financial statements.

2. Depreciation/amortization method for non-current assets

(1) Tangible fixed assets

Buildings (excluding fixtures) are depreciated using the straight-line method.

Others are depreciated using the declining-balance method.

Useful lives for main depreciable items are as follows:

Vehicles: 2-7 years

Buildings: 2-50 years

Structures: 2-75 years

Machinery: 2-17 years

Tools, apparatus, equipment: 2-20 years

(2) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method.

The software used in-house is amortized over the prescribed useful lives (5 years).

3. Criteria for allowances and reserves

(1) Allowance for doubtful accounts

To reserve for losses on doubtful accounts, general allowances is provided using a rate determined by past bad debt experience and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.

(2) Reserve for employees' bonuses

To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.

(3) Reserve for employees' retirement benefits

To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation and related pension assets at the end of the current fiscal year.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (13 years) within the average remaining service years of the employees when incurred.

(4) Reserve for directors' retirement benefits

To provide for directors' retirement benefits, reserve for directors' retirement benefits is recorded in an actual amount needed at the end of the current fiscal year based on the company's regulations.

(5) Reserve for refund for Fumi Cards

To provide for refund for Fumi Cards, reserve for refund for Fumi Cards is recorded in a projected amount for the end of the current fiscal year.

4. Other important assumptions for financial statements

(1) Consumption taxes

All figures are net of consumption tax.

(2) Consolidated tax payment system

The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

2. Change in presentation

Balance sheet presentation

In the previous fiscal year, "consumption taxes payable" was presented as current liabilities. Because of its decreased importance, "consumption taxes payable" is included in accounts payable within current liabilities. "Consumption taxes payable" in accrued expenses within current liabilities in the current fiscal year amounted to ¥141 million.

5 Notes to Financial Statements

1. Notes to Balance Sheets

- Accumulated depreciation of tangible fixed assets: ¥102,874 million
- Receivables and payables involving related parties

Short-term receivables:	¥4,200 million
Short-term payables:	¥25,241 million
- Assets pledged as collateral
As prescribed by laws concerning regulations on prepaid vouchers, other assets within investments and other assets includes assets pledged as collateral of ¥1,061 million.
- Monetary assets as collateral
Japan Post Service holds securities as collateral pledged by users of its pay-later postal services. Such securities are valued at ¥98 million as of March 31, 2009.

2. Notes to Statements of Income

- The following shows operating transactions and other transactions with affiliates.

Operating transactions (received):	¥5,911 million
Operating transactions (paid):	¥101,448 million
Transactions other than operational (received):	¥988 million
- Gains and losses on revision of income and expense in the previous year
 - Gains on revision of income and expense in the previous year ¥995 million

Selling, general and administrative cost (personnel expenses)	¥127 million
Total	¥1,122 million
 - Losses on revision of income and expense in the previous year

Operating income:	¥3,118 million
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- Details of loss on disposal of fixed assets

Buildings:	¥212 million
Structures:	¥56 million
Machinery:	¥589 million
Tools and fixtures:	¥119 million
Total:	¥977 million

3. Notes to Statements of Changes in Net Assets

- Information concerning outstanding shares

(Shares)

	Number of shares as of March 31, 2008	Increase	Decrease	Number of shares as of March 31, 2009
Common	4,000,000	—	—	4,000,000

- Appropriation of retained earnings

The following dividends are those recorded during the term but effective only in the next term.

Resolution planned	Type of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective Date
Regular shareholders meeting on June 26, 2009	Common	Unappropriated retained earnings	7,453 million	1,863.29	March 31, 2009	June 26, 2009

4. Notes to Deferred Tax Assets and Liabilities

The major components causing deferred tax assets and liabilities are as follows.

Deferred tax assets	
Reserve for employees' retirement benefits:	¥434,885 million
Reserve for employees' bonuses:	¥22,007 million
Others:	¥8,805 million
Sub-total:	¥465,698 million
Valuation allowance for deferred tax assets:	¥(465,698) million
Total deferred tax assets:	-

5. Notes to Transactions with Related Parties

Fellow subsidiaries

Type of relationship	Company name	Voting rights (owning or being owned by)	Description of relationship	Description of transactions	Transaction amount (Note 3) (millions of yen)	Account name	Balance as of March 31, 2009 (Note 3) (millions of yen)
Subsidiary of the common parent	Japan Post Network Co., Ltd.	None	We entrust postal service counter work, sales of revenue stamps and some work related to transport of parcels; lease property; and undertake distribution operation for the fellow subsidiary.	Postal service business consignment (Note 1)	213,185	Accounts payable operation	16,622
				Leasing of counter facilities (Note 2)	15,387	Other (Current assets)	1,342

Conditions of transactions and policies for deciding such conditions

Note 1: Commissions for postal service counter work are determined based on the final cost Japan Post Network Co., Ltd. has incurred with respect to the consigned business.

Note 2: Leasing fees for counter facilities are determined based on to actual conditions in surrounding areas.

Note 3: The transaction amount does not include consumption taxes. However, the balance at the end of the term includes consumption taxes.

6. Per Share Information

Net assets per share:	¥70,482.09
Net income per share:	¥7,453.17

7. Subsequent Events

Matter concerning the integration of parcel delivery operations with Nippon Express Co., Ltd.

At a Meeting of the Board of Directors on February 26, 2009, a resolution was passed for accepting the entire amount of a third-party allotment capital increase from affiliated company JP Express Co., Ltd. On April 1, 2009 Japan Post Service acquired 654,000 common shares from JP Express Co., Ltd. and made that company a consolidated subsidiary. The acceptance was in accordance with a letter of understanding between Japan Post Service and Nippon Express Co., Ltd. on October 25, 2007; a letter of understanding between the two companies on April 25, 2008 for integrating parcel delivery operations; and a statement of mutual agreement pertaining to an agreement between Nippon Express Co., Ltd. and its shareholders on August 28, 2008 and between Japan Post Service and shareholders on January 23, 2009.

Overview of third-party allotment capital increase

Stock payment date: April 1, 2009

Number of shares accepted: 654,000 shares

Issue price per share: ¥50,000

Total amount accepted: ¥32,700 million

Party to which allotted: Japan Post Service Co., Ltd.

Future parcel delivery service and schedule

Parcel delivery service is to be integrated during the period from April 1, 2009 to the end of September 2009.

Following the completion of integration, service is scheduled to begin from October 1, 2009. Until this time, the services provided are as follows.

	Yu-Pack	Pelican
Services offered	Japan Post Service will continue providing Yu-Pack service until the end of September 2009.	JP Express Co., Ltd. will provide service under the Pelican brand until the end of September. (The Company will consign deliveries and collections in some regions.)
Services and fees	Present Yu-Pack services and fees will be continued until the end of September.	Rates set by JP Express Co., Ltd. will be applied.
Handling locations	Yu-Pack items will be handled by the present handling locations that include the Company's branch offices, post offices, convenience stores and other locations that handle Yu-Pack items until the end of September.	Pelican services will be handled by the present handling locations that include JP Express branch offices and sale offices, convenience stores and other locations that handle Pelican items until the end of September.

8. Notes to Retirement Benefits

1. Summary of retirement benefits

Japan Post Service has a lump-sum severance payment plan based on an in-house saving system in accordance with the company's regulations on retirement benefits.

2. Information about retirement benefit obligation

(Millions of yen)

2009 (March 31, 2009)	
1 Retirement benefit obligation	(1,052,113)
2 Unrecognized actuarial differences	(16,684)
3 Reserve for employees' retirement benefits (1+2)	(1,068,797)

3. Information about retirement benefit expenses

(Millions of yen)

2009 (From April 1, 2008 to March 31, 2009)	
Retirement benefit expenses	66,221
1 Service cost	49,342
2 Interest cost	17,152
3 Amortized actuarial differences	(272)

4. Assumptions for the calculation of pension liabilities

2009 (From April 1, 2008 to March 31, 2009)	
1 Recognition method of projected pension liabilities	Straight-line method over the determined period
2 Discount rate	1.6%
3 Recognition period of actuarial differences	13 years

5. Japan Post Bank Co., Ltd.

— Non-consolidated Financial Data

The balance sheets as of March 31, 2009 and 2008 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.

(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)	Item	2008 (As of March 31, 2008)	2009 (As of March 31, 2009)
Assets			Liabilities		
Cash and due from banks	¥ 8,835,055	¥ 5,999,116	Deposits	¥181,743,807	¥177,479,840
Cash	192,491	124,681	Transfer deposits	7,500,480	7,269,971
Due from banks	8,642,564	5,874,434	Ordinary deposits	48,243,513	46,109,765
Call loans	3,655,000	51,184	Savings deposits	511,045	466,585
Receivables under resale agreements	149,803	—	Time deposits	5,798,826	17,408,597
Receivables under securities borrowing transactions	—	725,786	Special deposits	109,519,634	76,835,303
Monetary claims bought	20,908	66,409	TEIGAKU deposits	9,796,566	29,058,902
Trading account securities	172	159	Other deposits	373,739	330,715
Trading Japanese government bonds	172	159	Payables under securities lending transactions	—	804,770
Money held in trust	412,570	1,224,742	Borrowed money	20,700,000	8,700,000
Securities	172,532,116	173,551,137	Borrowings	20,700,000	8,700,000
Japanese Government Bonds	156,773,157	155,490,155	Foreign exchanges	327	102
Japanese local government bonds	7,499,247	6,177,212	Foreign bills sold	227	37
Commercial paper	—	542,904	Foreign bills payable	100	64
Japanese corporate bonds	7,801,698	9,880,462	Other liabilities	1,496,986	1,182,240
Stocks	—	900	Domestic exchange settlement account, credit	22,451	20,177
Other securities	458,012	1,459,503	Income taxes payable	43,457	42,313
Loans	3,771,527	4,031,587	Accrued expenses	867,260	792,908
Loans on deeds	3,502,875	3,790,537	Unearned income	12	22
Overdrafts	268,651	241,050	Derivatives other than that for trading	120	23,304
Foreign exchanges	13,453	9,872	Other liabilities	563,684	303,513
Due from foreign banks	13,362	9,814	Reserve for employees' bonuses	6,227	6,542
Foreign bills bought and foreign exchanges purchased	90	58	Reserve for employees' retirement benefits	124,932	127,584
Other assets	22,514,239	10,480,635	Reserve for directors' retirement benefits	45	141
Domestic exchange settlement account-debit	14,748	12,999	Total Liabilities	¥204,072,327	¥188,301,222
Pre-paid expenses	423	200	Net Assets		
Accrued income	333,950	331,348	Common stock	¥ 3,500,000	¥ 3,500,000
Derivatives other than that for trading	26	271	Capital surplus	4,296,285	4,296,285
Deposits to the fiscal loan fund	20,700,000	8,700,000	Capital surplus reserve	4,296,285	4,296,285
Other assets	1,465,090	1,435,816	Retained earnings	206,577	413,140
Tangible fixed assets	186,469	170,392	Other retained earnings	206,577	413,140
Buildings	80,470	75,862	Retained earnings brought forward	206,577	413,140
Land	27,121	27,121	Total shareholders' equity	8,002,862	8,209,426
Construction in progress	44	52	Net unrealized gains (losses) on available-for-sale securities	73,992	(16,877)
Other tangible fixed assets	78,833	67,355	Unrealized gains (losses) on hedging derivatives	—	(12,974)
Intangible fixed assets	27,106	29,586	Total valuation and translation adjustments	73,992	(29,851)
Software	22,652	29,192	Total Net Assets	8,076,855	8,179,574
Other intangible fixed assets	4,454	394	Total Liabilities and Net Assets	¥212,149,182	¥196,480,796
Deferred tax assets	32,269	141,273			
Reserve for possible loan losses	(1,510)	(1,087)			
Total Assets	¥212,149,182	¥196,480,796			

2 Statements of Income

(Millions of yen)

Item	2008 (From October 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Revenues	¥1,328,904	¥2,488,552
Interest income	1,265,087	2,309,926
Interest on loans	22,847	45,185
Interest and dividends on securities	936,981	1,940,865
Interest on call loans	5,993	14,333
Interest on receivables under resale agreements	297	2,366
Interest on receivables under securities borrowing transactions	15,767	28,589
Interest on deposits with banks	9,222	23,288
Other interest income	273,977	255,297
Fees and commissions	59,556	112,334
Fees and commissions on domestic and foreign exchanges	35,296	66,592
Other fees and commissions	24,259	45,742
Other operating income	703	53,791
Gain on sale of Japanese government bonds and other bonds	366	53,067
Others	336	723
Other income	3,557	12,500
Others	3,557	12,500
Expenses	1,072,732	2,103,308
Interest expenses	394,863	657,022
Interest on deposits	181,412	373,863
Interest on call money	—	0
Interest on payables under securities lending transactions	15,536	25,878
Interest on borrowings	197,357	255,091
Interest on interest rate swaps	—	1,591
Other interest expenses	557	597
Fees and commissions	9,704	21,238
Fees and commissions on domestic and foreign exchanges	37	297
Other fees and commissions	9,666	20,940
Other operating expenses	1,218	53,452
Losses on foreign exchange transactions	1,214	536
Loss on sales of bonds	3	52,915
Loss on redemption of bonds	0	0
Others	0	—
General and administrative expenses	617,787	1,266,205
Other expenses	49,158	105,390
Provision for reserve for possible loan losses	495	—
Written-off of loans	12	—
Loss on money held in trust	14,905	100,200
Others	33,745	5,189
Net ordinary income	256,171	385,243
Extraordinary gain	159	465
Reversal of reserve for possible loan losses	—	417
Gains on collection of written-off claims	159	47
Extraordinary losses	490	1,495
Loss on disposal of fixed assets	489	1,432
Impairment loss	1	63
Income before income taxes	255,840	384,213
Income taxes current	132,277	192,604
Income taxes deferred	(28,617)	(37,754)
Total income taxes		154,850
Net income	¥ 152,180	¥ 229,363

3 Statements of Changes in Net Assets

(Millions of yen)

	2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)		2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Shareholders' equity			Valuation and translation adjustments		
Common stock			Net unrealized gains (losses) on available-for-sale securities		
Balance at beginning of year	¥ 50	¥3,500,000	Balance at beginning of year	¥ —	¥ 73,992
Changes during the period			Changes during the period		
Issuance of new stock	3,499,950	—	Net changes other than shareholders' equity	73,992	(90,869)
Total changes during the period	3,499,950	—	Total changes during the period	73,992	(90,869)
Balance at end of year	¥3,500,000	¥3,500,000	Balance at end of year	¥ 73,992	¥ (16,877)
Capital surplus			Unrealized gains (losses) on hedging derivatives		
Capital surplus reserve			Balance at beginning of year	¥ —	¥ —
Balance at beginning of year	¥ 50	¥4,296,285	Changes during the period		
Changes during the period			Net changes in other than shareholders' equity	—	(12,974)
Issuance of new stock	4,296,235	—	Total changes during the period	—	(12,974)
Total changes during the period	4,296,235	—	Balance at end of year	¥ —	¥ (12,974)
Balance at end of year	¥4,296,285	¥4,296,285	Total valuation and translation adjustments		
Retained earnings			Balance at beginning of year	¥ —	¥ 73,992
Other retained earnings			Changes during the period		
Retained earnings brought forward			Net changes other than shareholders' equity	73,992	(103,844)
Balance at beginning of year	¥ (21)	¥ 206,577	Total changes during the period	73,992	(103,844)
Changes during the period			Balance at end of year	¥ 73,992	¥ (29,851)
Cash dividends	—	(22,800)	Total net assets		
Tax effect (deferred) due to privatization	54,418	—	Balance at beginning of year	¥ 78	¥8,076,855
Net income	152,180	229,363	Changes during the period		
Total changes during the period	206,598	206,563	Issuance of new stock	7,796,185	—
Balance at end of year	¥ 206,577	¥ 413,140	Cash dividends	—	(22,800)
Total shareholders' equity			Tax effect (deferred) due to privatization	54,418	—
Balance at beginning of year	¥ 78	¥8,002,862	Net income	152,180	229,363
Changes during the period			Net changes other than shareholders' equity	73,992	(103,844)
Issuance of new stock	7,796,185	—	Total changes during the period	8,076,777	102,718
Cash dividends	—	(22,800)	Balance at end of year	¥8,076,855	¥8,179,574
Tax effect (deferred) due to privatization	54,418	—			
Net income	152,180	229,363			
Total changes during the period	8,002,784	206,563			
Balance at end of year	¥8,002,862	¥8,209,426			

4 Statement of Cash Flows

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)		2009 (From April 1, 2008 to March 31, 2009)
Cash flows from operating activities:		Cash flows from investing activities:	
Income before income taxes	¥ 384,213	Purchases of securities	(66,091,066)
Depreciation and amortization	54,797	Proceeds from sales of securities	13,095,782
Losses on impairment of fixed assets	63	Proceeds from maturity of securities	51,684,625
Net change in reserve for possible loan losses	(422)	Investment in money held in trust	(1,029,778)
Net change in reserve for employees' bonuses	314	Proceeds from disposition of money held in trust	25,300
Net change in reserve for employees' retirement benefits	2,652	Purchases of tangible fixed assets	(31,692)
Net change in reserve for directors' retirement benefits	95	Proceeds from sales of tangible fixed assets	436
Interest income	(2,309,926)	Purchases of intangible fixed assets	(9,631)
Interest expense	657,022	Proceeds from sales of intangible fixed assets	120
Net securities gains	(151)	Other-net	(291)
Gains on money held in trust-net	100,200	Net cash used in investing activities	(2,356,193)
Losses on foreign exchange-net	292	Cash flows from financing activities:	
Losses on sale and disposal of fixed assets-net	1,432	Cash dividends	(22,800)
Net change in loans	(260,128)	Net cash used in financing activities	(22,800)
Net change in deposits	(4,263,966)	Effect of exchange rate changes on cash and cash equivalents	575
Proceeds from maturity of deposits to the fiscal loan fund	12,000,000	Net decrease in cash and cash equivalents	(2,321,939)
Net change in borrowed money	(12,000,000)	Cash and cash equivalents at beginning of year	5,021,055
Net change in negotiable certificates of deposit	514,000	Cash and cash equivalents at end of year	¥ 2,699,116
Net change in call loans	3,708,044		
Net change in receivables under securities borrowing transactions	(725,786)		
Net change in payables under securities lending transactions	804,770		
Net change in foreign exchange assets	3,581		
Net change in foreign exchange liabilities	(225)		
Interest received	2,387,231		
Interest paid	(744,332)		
Other-net	(26,452)		
Subtotal	287,319		
Income taxes paid	(230,841)		
Net cash provided by operating activities	56,478		

5 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

The balance sheets and statements of income of Japan Post Bank Co., Ltd. (the "Bank") comply with the provisions of the Ordinance for Enforcement of Banking Act (1982 Finance Ministry Order No. 10).

"Deposits" in the balance sheet correspond with "Deposits" under liabilities in accordance with the Ordinance for Enforcement of Banking Act. Accordingly, transfer deposits correspond to current deposits, ordinary deposits with ordinary deposits, savings deposits with savings deposits, time deposits with time deposits and TEIGAKU deposits and other deposits with other deposits. Special deposits are deposits made by the Management Organization for Postal Saving and Postal Life Insurance.

Interest on deposits in the statements of income correspond to interest on deposits included in other expenses under the Ordinance for Enforcement of Banking Act.

1. Trading Account Securities, Securities and Money Held in Trust
Securities are classified into four categories, based principally on the Bank's intent, as follows:

- (1) Trading account securities which are held in the short term are reported at fair value, and the related unrealized gains and losses are included in earnings;
- (2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost using the straight-line method;
- (3) Investments in affiliates are reported at cost determined by the moving-average method; and
- (4) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, reported in a separate component of net assets.

Available-for-sale securities whose fair value is not available are reported at cost or amortized cost determined by the moving-average method. In addition, the costs of available-for-sale securities sold are determined primarily based on the moving-average method.

Securities (stocks) invested in money held in trust, which is solely entrusted by the Bank for security trading purposes, are stated at the fair market value. Realized gains and losses on these securities are computed using the average market price of the final month in the fiscal year. Unrealized gains and losses on these securities are reported, net of applicable income taxes, in a separate component of net assets.

2. Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets, except for buildings (excluding building attachments) which are depreciated using the straight-line method, is computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

3. Intangible Fixed Assets

The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of 5 years.

4. Foreign Currency Transactions

Foreign currency-denominated assets and liabilities at the balance sheet date are translated into Japanese yen principally at the exchange rates in effect at the balance sheet date. Exchange gains and losses are recognized in the fiscal year in which they occur.

5. Reserve for Possible Loan Losses

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards as described below:

Loans to normal borrowers and borrowers requiring caution, as provided by "Practical Guidance for Checking Internal Controls for Self-Assessments

of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants, Special Committee for Audits of Banks, etc., Report No. 4), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, a reserve is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or effectively/substantially bankrupt borrowers, a reserve is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.

The asset evaluation department assesses all loans in accordance with the self-assessment rule in cooperation with the marketing related divisions.

6. Reserve for Employees' Bonuses

Reserve for employees' bonus is provided for the estimated employees' bonuses attributable to the fiscal year.

7. Reserve for Employees' Retirement Benefits

Reserve for employees' retirement benefits is provided based on the projected benefit obligation at the balance sheet date.

Actuarial gains and losses are recognized in income or expenses using the straight-line method over the average expected remaining service years (10 years) from the following year after they are incurred.

8. Reserve for Directors' Retirement Benefits

Reserve for directors' retirement benefits is provided for the estimated retirement benefits which are attributable to the fiscal year.

9. Derivatives and Hedging Activities

Derivatives are recognized as either assets or liabilities and stated at fair value. Gains or losses on derivative transactions are recognized in the statements of income.

Hedging against interest rate risks:

For the fiscal year ended March 31, 2009, the Bank used interest rate swaps to reduce its exposure to interest rate risk on its monetary assets and liabilities. In principle, the Bank applied the deferred-hedge accounting method for interest rate swaps. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria were not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income. For some financial assets and liabilities, the Bank applied special accounting treatment for interest rate swaps.

For the fiscal year ended March 31, 2008, the Bank applied special accounting treatment for interest rate swaps for some financial assets and liabilities.

Hedging against foreign exchange fluctuation risks:

The Bank uses the deferred tax accounting method and the fair value hedge accounting method to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains/losses on available-for-sale securities exposed to the risks of foreign exchange fluctuation risk.

The Bank specifies hedges in such a way that major conditions of hedged items and hedging instruments are almost the same, and accordingly, considers that hedges are highly effective instead of making judgments on effectiveness.

10. Cash and Cash Equivalents

For purpose of the statement of cash flows, cash and cash equivalents represent cash and due from banks on the balance sheet, excluding negotiable certificates of deposit in other banks.

11. Consumption Taxes

The Bank is subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.

12. Income Taxes

The Bank adopts the consolidated taxation system designating Japan Post Holdings Co., Ltd. as the parent company.

6 Notes to Financial Statements

1. Notes to Balance Sheets

- For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with bond lending transactions secured by cash, the balance of the portion of securities where the Bank has the right to unrestricted disposal of securities through sales or reuse (pledge) as collateral was ¥727,271 million.
- In loans, there were no claims against bankrupt obligors, past-due claims, past-due claims (three months or more) and reconstructed claims in loans (loans receivable).
- Accumulated depreciation on tangible fixed assets: ¥67,836 million
- Monetary claims related to affiliates
Total amount of monetary claims related to affiliates: ¥40 million
Total amount of monetary liabilities related to affiliates: ¥62,928 million

2. Notes to Statements of Income

- Income from transactions with related parties
Total interest income: ¥132 million
Total income from fees and commissions: ¥11 million
Total other operating income and other income: ¥140 million
Total income from other transactions: –
- Expense for transactions with related parties
Total interest expense: –
Total fees and commissions expense: –
Total for other operating expenses and other expenses: –
Total expense for other transactions: ¥146,893 million

3. Notes to Statements of Changes in Net Assets

- Type and number of outstanding shares issued for the fiscal years ended March 31, 2009 was as follows:

	March 31, 2008	Increase	Decrease	March 31, 2009
Type of shares				
Common shares	150,000	–	–	150,000

- Dividends distributed during the fiscal year ended March 31, 2009
Cash dividends (paid) applicable to the current fiscal year

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
May 29, 2008	Common stock	¥22,800	¥152	March 31, 2008	May 30, 2008

4. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the statement of cash flows and cash and due from banks in the balance sheet at March 31, 2009 was as follows:

Cash and due from banks	¥5,999,116 million
Due from banks, excluding negotiable certificates of deposit in other banks	¥(3,300,000) million
Cash and cash equivalents	¥2,699,116 million

5. Income Taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 was as follows:

	Amount (Millions of yen)
Deferred tax assets	
Reserve for possible loan losses	¥ 442
Reserve for employees' retirement benefits	51,913
Accumulated depreciation	20,847
Accrued interest on deposits	22,265
Impairment losses of money held in trust	11,764
Net unrealized losses on available-for-sale securities	11,578
Other	26,213
Total deferred tax assets	145,025
Total deferred tax liabilities	3,751
Net deferred tax assets (liabilities)	¥141,273

6. Fair Value Information for Securities

Securities discussed here include "Trading account securities," negotiable certificates of deposit recorded under "Cash and due from banks," trust beneficiary rights under "Monetary claims bought" and "Money held in trust," in addition to "Securities" in the balance sheets.

Trading account securities:

- Net unrealized gains on trading account securities for the years ended March 31, 2009 was as follows:

	Amount on the balance sheet	Net unrealized gains
Trading account securities	159	–

- Held-to-maturity securities whose fair value is available:

Held-to-maturity securities whose fair value is available at March 31, 2009 consisted of the following:

	Amount on the balance sheet	Unrealized gains	Unrealized losses	Fair value
Japanese Government Bonds	¥123,534,320	¥2,343,773	¥47,000	¥125,831,093
Japanese local government bonds	5,279,006	78,553	1,598	5,355,960
Japanese corporate bonds	5,552,480	75,535	1,701	5,626,314
Total	¥134,365,807	¥2,497,861	¥50,300	¥136,813,368

Note: Fair value is determined based on the market price at the balance sheet date.

- Equities with market quotations of subsidiaries and affiliated companies (at March 31, 2009)

None

- Available-for-sale securities whose fair value is available:

Available-for-sale securities whose fair value is available at March 31, 2009 consisted of the following:

	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Debt securities:	¥36,988,754	¥276,609	¥83,340	¥37,182,023
Japanese Government Bonds	31,790,638	236,899	71,702	31,955,835
Japanese local government bonds	889,016	9,905	715	898,206
Japanese corporate bonds	4,309,099	29,804	10,921	4,327,982
Other securities (mainly foreign bonds)	1,553,501	9,357	36,946	1,525,912
Total	¥38,542,255	¥285,967	¥120,287	¥38,707,936

Note: The amounts on the balance sheets is determined using the market price at the balance sheet date.

- Held-to-maturity securities

Held-to-maturity securities sold during the fiscal years ended March 31, 2009 consisted of the following:

	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥6,039,501	¥6,039,766	¥265
Total	¥6,039,501	¥6,039,766	¥265

These held-to-maturity securities were sold in accordance with Article 282 of the Industry Audit Committee Report No. 14 ("Practical Guidance on Accounting for Financial Products") issued by JICPA.

Realized gains are included in "Interest and dividends on securities" in the accompanying statements of income.

6. Available-for-sale securities

Available-for-sale securities sold during the fiscal years ended March 31, 2009 consisted of the following:

(Millions of yen)

	Sales proceeds	Realized gains	Realized losses
Available-for-sale securities	¥7,057,106	¥53,067	¥52,915
Total	¥7,057,106	¥53,067	¥52,915

7. Securities with no available fair value

Securities with no available fair value at March 31, 2009 was as follows:

	Amount on the balance sheet (Millions of yen)
Available-for-sale securities:	
Negotiable certificates of deposit	¥3,300,000
Commercial paper:	542,904
Investment in unconsolidated subsidiaries and affiliates:	
Investments in affiliates	900

8. Reclassified securities (From April 1, 2008 to March 31, 2009)

None

9. Scheduled redemption amounts for bonds held-to-maturity and available-for-sale securities with maturity at end of fiscal years

Scheduled redemption amounts for bonds held-to-maturity and available-for-sale securities with maturity at March 31, 2009 consisted of the following:

(Millions of yen)

	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities:	¥41,320,145	¥76,937,168	¥50,550,631	¥3,282,790
Japanese Government Bonds	37,801,603	70,105,908	44,970,374	2,612,270
Japanese local government bonds	1,564,228	2,718,315	1,894,669	-
Commercial paper	542,904	-	-	-
Japanese corporate bonds	1,411,409	4,112,944	3,685,587	670,520
Other (mainly foreign bonds)	3,302,069	1,171,408	148,385	29,048
Total	¥44,622,214	¥78,108,576	¥50,699,016	¥3,311,838

7. Money Held in Trust

The Bank did not hold money held in trust for the purpose of trading nor holding to maturity for the fiscal years ended March 31, 2009.

Money held in trust at March 31, 2009 and 2008 was as follows:

(Millions of yen)

	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Money held in trust classified as:				
Available-for-sale	¥1,418,878	¥6,201	¥200,337	¥1,224,742

Notes: 1. The amounts on the balance sheets are stated at the average market price of the final month for the fiscal year for equity securities and at the market price at the balance sheet date for other securities.

2. Securities (equity securities) with market quotations under management as trust assets, whose market values showed a substantial decline from their acquisition costs and were not judged to recover to their book values are restated at fair market price on the balance sheet and valuation differences are charged to income (hereafter "losses on impairment of fixed assets") in the year in which they are recognized. The amount of losses on impairment of fixed assets for the fiscal years ended March 31, 2009 and 2008 amounted to ¥56,131 million, respectively. Securities were judged as impaired when their market values showed a substantial decline from their book value.

The criteria for determining if such decline is significant are as follows:

Securities whose fair value is 50% or less than the acquisition cost, or Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

8. Equity Earnings of Affiliates

The details for the fiscal year ended March 31, 2009 were as follows:

Investment in unconsolidated subsidiaries and affiliates:

Investments in affiliates	¥900 million
Investments, if equity method is adopted for accounting	¥791 million
Investment losses, if equity method is adopted for accounting	¥108 million

The Bank recorded no equity earnings of affiliates for the fiscal year ended March 31, 2008.

9. Reserve for Retirement Benefits

The Bank has a lump-sum retirement payment plan for employees based on the internal retirement benefit rule.

Reserve for employees' retirement benefits at March 31, 2009 consisted of the following:

2009	
Projected benefit obligation	¥(124,752) million
Unfunded projected benefit obligation	(124,752) million
Unrecognized net actuarial losses	(2,832) million
Net amount recorded on the balance sheets	(127,584) million
Reserve for employees' retirement benefits	¥(127,584) million

The breakdown of total retirement benefit costs for the years ended March 31, 2009 was as follows:

2009	
Service cost	¥5,922 million
Interest cost on projected benefit obligation	2,117 million
Amortization of unrecognized net actuarial losses	(57) million
Total retirement benefit costs	¥7,982 million

Assumptions used in the calculation of the above information for the years ended March 31, 2009 were set forth as follows:

2009	
Method of attributing the projected benefits to periods of service	Straight-line method over the determined period
Discount rate	1.7%
Amortization period of unrecognized actuarial losses	10 years

10. Per Share Data

Net assets per share at March 31, 2009 and net income per share for the years then ended were as follows:

2009	
Net assets per share	¥54,530.49
Net income per share	¥1,529.08

Note: Diluted net income per share is not presented since there has been no potential dilution for the year ended March 31, 2009.

11. Subsequent Event

None

6. Japan Post Insurance Co., Ltd.

— Non-consolidated Financial Data

The balance sheets as of March 31, 2009 and 2008 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.

(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2008 (March 31, 2008)	2009 (March 31, 2009)	Item	2008 (March 31, 2008)	2009 (March 31, 2009)
Assets			Liabilities		
Cash and deposits	¥ 2,080,139	¥ 2,279,210	Policy reserves:	¥108,479,918	¥102,727,247
Cash	10,298	7,416	Reserve for outstanding claims	888,173	1,165,595
Deposits	2,069,841	2,271,794	Policy reserve	104,735,362	98,801,221
Call loans	788,686	460,258	Reserve for policyholders' dividends	2,856,381	2,760,430
Receivables under securities borrowing transactions	1,454,885	1,033,977	Accrued payables related to reinsurance	192	237
Monetary claims bought	59,981	4,527	Other liabilities	2,528,971	2,277,410
Money held in trust	1,861,542	409,123	Payables under securities lending transactions	1,636,572	1,321,335
Securities	85,568,884	83,326,846	Income taxes payable	26,300	—
Japanese government bonds	68,959,931	69,673,325	Accounts payable	254,961	585,386
Japanese local government bonds	3,711,596	4,556,326	Accrued expenses	6,963	14,854
Japanese corporate bonds	10,387,483	8,213,710	Unearned revenues	0	1
Foreign securities	2,509,872	883,483	Deposits received	8,207	11,536
Loans	19,921,240	18,341,808	Deposits from the Organization	565,804	322,468
Loan on policies	17	440	Temporary payment received	26,923	20,970
General loans	12,278	217,386	Other liabilities	3,237	857
Loans related to the Organization	19,908,944	18,123,982	Reserve for employees' retirement benefits	52,316	53,667
Tangible fixed assets	97,892	115,906	Reserve for directors' retirement benefits	19	62
Land	40,726	40,726	Reserve under the special laws	559,002	446,581
Buildings	37,266	36,485	Reserve for price fluctuations in security investments	559,002	446,581
Construction in progress	9	28	Total Liabilities	¥111,620,419	¥105,505,207
Other tangible fixed assets	19,890	38,666	Net Assets		
Intangible fixed assets	44,340	72,912	Capital stock	¥ 500,000	¥ 500,000
Software	44,326	72,895	Capital reserve	500,044	500,044
Other intangible fixed assets	13	16	Capital reserve	500,044	405,044
Accrued receivables from insurance agents	137,754	96,140	Other capital surplus	—	95,000
Other assets	275,835	262,121	Retained earnings	27,858	66,174
Accounts receivable	1,264	14,189	Other retained earnings	27,858	66,174
Prepaid expenses	293	238	Unappropriated retained earnings	27,858	66,174
Accrued revenue	255,925	241,771	Total shareholders' equity	1,027,902	1,066,218
Deposits to the Fiscal Loan Fund	76	1,205	Net unrealized gains (losses) on available-for-sale securities	(123,651)	6,537
Temporary payment	17,219	2,864	Total valuation and translation adjustments	(123,651)	6,537
Other assets	1,056	1,852	Total Net Assets	¥ 904,250	¥ 1,072,756
Deferred tax assets	234,196	175,888	Total Liabilities and Net Assets	¥112,524,670	¥106,577,963
Allowance for doubtful accounts	(707)	(759)			
Total Assets	¥112,524,670	¥106,577,963			

2 Statements of Income

(Millions of yen)

Item	2008 (From October 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Ordinary income	¥7,686,842	¥15,533,727
Insurance premiums and other revenues	3,886,601	7,881,174
Insurance premiums	3,886,601	7,881,174
Investment income	871,353	1,713,929
Interest and dividend income	839,559	1,646,201
Interest on bank deposits	2,549	5,342
Interest/dividends on securities	546,885	1,105,874
Interest accrued on loans	2	1,707
Interest accrued on loans to the Organization	285,570	521,851
Other interest and dividends	4,551	11,426
Gains on sales of securities	30,779	66,632
Gains from redemption of securities	16	36
Other gains on investments	997	1,058
Other ordinary income	2,928,888	5,938,624
Reversal of policy reserves	2,922,887	5,934,141
Reversal of reserve for retirement benefits	666	—
Others	5,334	4,483
Ordinary expenses	7,674,850	15,319,442
Insurance payments and other expenses	6,149,669	13,935,765
Insurance payments	6,147,434	13,866,946
Additional pension contracts	960	14,765
Benefits	13	1,007
Payment due to redemption	239	10,347
Other refund	1,021	42,697
Provision for policy reserves	739,579	302,778
Provision for policy reserves	726,697	277,421
Interest on reserve for dividends to policyholders	12,881	25,357
Investment expenses	494,801	469,410
Interest expenses	1,788	5,987
Losses on investment of money held in trust	318,576	296,779
Losses on sales of securities	62,449	107,165
Losses on valuation of securities	105,568	58,738
Losses from redemption of securities	44	74
Losses on foreign exchanges	6,231	230
Provisions for allowance for doubtful accounts	—	13
Other losses on investments	143	421
Operational costs	266,550	548,122
Other ordinary expenses	24,249	63,364
Taxes	15,176	37,455
Depreciation	8,299	23,896
Provisions for reserve for employees' retirement benefits	—	856
Provision for reserve for directors' retirement benefits	19	42
Others	754	1,112
Net ordinary income	11,991	214,285
Extraordinary gains	113,552	115,731
Reversal of reserve under the special laws	113,536	112,420
Reversal of reserve for price fluctuations in security investments	113,536	112,420
Other extraordinary gains	15	3,311
Extraordinary losses	168	1,844
Losses on sales and disposal of fixed assets	162	1,844
Impairment losses	6	—
Provision for reserve for policyholders' dividends	106,910	275,913
Net income before income taxes	18,465	52,258
Income tax current	154,586	29,534
Income tax deferred	(143,807)	(15,593)
Total income tax	10,779	13,941
Net income	¥ 7,686	¥ 38,316

3 Statements of Changes in Net Assets

(Millions of yen)

	2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥ 50	¥500,000
Changes during the period		
Issuance of new shares	499,950	—
Total changes during the period	499,950	—
Balance at the end of the current fiscal year	¥500,000	¥500,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥ 50	¥500,044
Changes during the period		
Issuance of new shares	499,994	—
Decrease in capital reserve	—	(95,000)
Total changes during the period	499,994	(95,000)
Balance at the end of the current fiscal year	¥500,044	¥405,044
Other capital surplus		
Balance at the end of the previous fiscal year	¥ —	¥ —
Changes during the period		
Increase in other capital surplus	—	95,000
Total changes during the period	—	95,000
Balance at the end of the current fiscal year	¥ —	¥ 95,000
Total capital surplus		
Balance at the end of the previous fiscal year	¥ 50	¥500,044
Changes during the period		
Issuance of new shares	499,994	—
Decrease in capital reserve	—	(95,000)
Increase in other capital surplus	—	95,000
Total changes during the period	499,994	—
Balance at the end of the current fiscal year	¥500,044	¥500,044
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	¥ (22)	¥ 27,858
Changes during the period		
Tax effect adjustments due to privatization	20,194	—
Net income for the period	7,686	38,316
Total changes during the period	27,880	38,316
Balance at the end of the current fiscal year	¥ 27,858	¥ 66,174

	2008 (From April 1, 2007 to March 31, 2008)	2009 (From April 1, 2008 to March 31, 2009)
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥ 77	¥1,027,902
Changes during the period		
Issuance of new shares	999,944	—
Decrease in capital reserve	—	(95,000)
Increase in other capital surplus	—	95,000
Tax effect adjustments due to privatization	20,194	—
Net income for the period	7,686	38,316
Total changes during the period	1,027,825	38,316
Balance at the end of the current fiscal year	¥1,027,902	¥1,066,218
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities		
Balance at the end of the previous fiscal year	¥ —	¥ (123,651)
Changes during the period		
Net changes other than shareholders' equity	(123,651)	130,188
Total changes during the period	(123,651)	130,188
Balance at the end of the current fiscal year	¥ (123,651)	¥ 6,537
Total net assets		
Balance at the end of the previous fiscal year	¥ 77	¥ 904,250
Changes during the period		
Issuance of new shares	999,944	—
Decrease in capital reserve	—	(95,000)
Increase in other capital surplus	—	95,000
Tax effect adjustments due to privatization	20,194	—
Net income for the period	7,686	38,316
Net changes other than shareholders' equity	(123,651)	130,188
Total changes during the period	904,173	168,505
Balance at the end of the current fiscal year	¥ 904,250	¥1,072,756

4 Statement of Cash Flows

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)		2009 (From April 1, 2008 to March 31, 2009)
Cash flows from operating activities:		Net cash used in operating activities	(5,526,985)
Net income before income taxes and minority interests	¥ 52,258	Cash flows from investing activities:	
Depreciation	23,896	Payments for purchase of call loans	(34,180,058)
Increase (decrease) in reserve for outstanding claims	277,421	Proceeds from redemption of call loans	34,508,486
Increase (decrease) in policy reserve	(5,934,141)	Payments for purchase of monetary claims bought	(34,588)
Interest on policyholders' dividends	25,357	Proceeds from sales and redemption of monetary claims bought	89,970
Provision for reserve for policyholders' dividends	275,913	Proceeds from decrease in money held in trust	1,355,595
Increase (decrease) in allowance for doubtful accounts	51	Payments for purchase of securities	(17,113,164)
Increase (decrease) in reserve for employees' retirement benefits	1,351	Proceeds from sales and redemption of securities	19,534,039
Increase (decrease) in reserve for directors' retirement benefits	42	Payments for loans	(2,967,687)
Increase (decrease) in reserve for price fluctuations in security investments	(112,420)	Proceeds from collection of loans	4,547,148
Interests and dividend income—accrual basis	(1,646,201)	Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	105,671
Losses (gains) on money held in trust	296,779	Others	(57,575)
Losses (gains) related to securities	99,309	Investment activities plan	5,787,837
Interest expenses—accrual basis	5,987	(Sales activities and investment activities plan)	260,852
Losses (gains) on foreign exchanges	230	Payments for purchase of tangible fixed assets	(31,117)
Losses (gains) related to tangible fixed assets	1,449	Proceeds from sales of tangible fixed assets	316
Net decrease (increase) in accrued receivables from agents	41,613	Others	(30,980)
Net decrease (increase) in other assets (excluding investment and financing activities)	9,434	Net cash provided by investing activities	5,726,056
Net increase (decrease) in accrued payables related to reinsurance	45	Cash flows from financing activities:	
Net increase (decrease) in other liabilities (excluding investment and financing activities)	(246,199)	Net cash provided by (used in) financing activities	—
Others	(3,418)	Foreign currency translation adjustments on cash and cash equivalents	—
Subtotal	(6,831,238)	Increase (decrease) in cash and cash equivalents	199,070
Interest and dividend income—cash basis	1,885,530	Cash and cash equivalents at beginning of year	2,080,139
Interest expenses—cash basis	(6,191)	Cash and cash equivalents at end of year	¥ 2,279,210
Dividends to policyholders paid	(396,351)		
Income taxes paid	(178,734)		

5 Significant Accounting Policies

Note: Amounts are rounded down to the nearest million yen.

1. Valuation criteria and methods for securities

Securities (including those securities that are included in "bank deposits" and "monetary claims bought") and deemed equivalent to securities are classified and accounted for as follows:

- (1) Held-to-maturity securities are stated at amortized cost using the moving-average method (straight-line method).
- (2) Bonds earmarked for policy reserves (in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Bonds Earmarked for Policy Reserves in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants) are stated at amortized cost using the moving-average method (straight-line method).
- (3) Available-for-sale securities
 - (i) With market quotations
Available-for-sale securities with market quotations are stated at fair market value as of the balance sheet date. (The cost of sold securities is calculated using the moving-average method.)
 - (ii) Without market quotations
Available-for-sale securities without market quotations are stated at amortized cost using the moving-average method (straight-line method).
The net unrealized gain/loss on available-for-sale securities without market quotations is directly charged to net assets.

2. Valuation criteria and methods for money held in trust

Securities which are part of money held in trust (other than trading securities and held-to-maturity securities) are stated at fair market value as of the balance sheet date. (However, the values of shares are determined using the average market price over the past one month.)

Property as part of trust assets is stated net of accumulated depreciation. Buildings are depreciated by the straight-line method and components of property other than buildings are depreciated by the declining-balance method.

The net unrealized gain/loss with respect to money held in trust is directly charged to net assets.

3. Valuation criteria and methods for derivatives

Derivatives are stated at fair market value.

4. Depreciation/amortization method for tangible fixed assets

Tangible fixed assets are depreciated as follows:

Buildings: Straight-line method
Others: Declining-balance method

5. Depreciation/amortization method for intangible fixed assets

Intangible fixed assets are amortized as follows.

Software: Straight-line method over the prescribed useful lives.

6. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date.

As stated in the Corporation Tax Law, assets and liabilities involving extreme fluctuations in foreign exchange rates that seem unrecoverable are translated using the exchange rates prevailing on the balance sheet date.

7. Criteria for allowances and reserve

(1) Allowance for doubtful accounts

Japan Post Insurance's allowance for doubtful accounts is provided pursuant to its standards for self-assessment of asset quality, and general allowances is provided using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectibility of accounts, are provided for.

(2) Reserve for employees' retirement benefits

To provide for employee retirement benefits, reserve for employees'

retirement benefits is recorded in the amount which is considered to have accrued in the current fiscal year in line with the "Opinion for Setting Up Accounting Standards with Regards to Retirement Benefits," released by the Corporate Accounting Committee on June 16, 1998.

(3) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, reserve for directors' retirement benefits is recorded in an actual amount recognized at the current year-end based on the company's regulations in accordance with "Auditing Treatment relating to Reserve defined under the Special Tax Measurement Law, Reserve defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits" (JIPCA, Auditing and Assurance Practice Committee, Issuance No. 42).

8. Reserve for price fluctuations in security investments

To provide for losses from price fluctuations of marketable securities, reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Law.

9. Scope of cash in Statement of Cash Flows

Cash and cash equivalents, for the purpose of reporting cash flows, are composed of cash in hand and deposits held at call with banks.

10. Other important assumptions for financial statements

- (1) Consumption tax with respect to the accounting of consumption tax and prefectural consumption tax
All figures are net of consumption tax.

(2) Policy reserve

A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Law. A policy reserve is recognized by performing a calculation based on the following methodology:

- (i) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (ordinance No. 48 issued by the Ministry of Finance in 1996).
- (ii) Reserves for other contracts are computed based on the net level premium method.

(3) Consolidated tax payment system

The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

6 Notes to Financial Statements

1. Notes to Balance Sheets

- The amount of securities (Japanese government bonds) in the securities trust established to engage in securities lending transactions for income is ¥2,006,892 million.
- Balance sheet amount, market value and risk management policy for bonds earmarked for policy reserves are as follows.
 - (1) The carrying value on the balance sheet of bonds earmarked for policy reserves is ¥40,821,219 million and market value is ¥41,536,025 million.
 - (2) Risk management policy for bonds earmarked for policy reserves is as follows.
Japan Post Insurance has set up sub-categories according to the characteristics of the insurance contracts. The durations of the bonds earmarked for policyholders and those of the policy reserves in each sub-category are matched within a fixed range to manage interest rate fluctuation risk. The durations of the bonds earmarked for policy reserves and the policy reserves in each sub-category are periodically ascertained.
- Accumulated depreciation on tangible fixed assets: ¥14,147 million.
- The following shows changes in reserve for policyholders' dividends.

Balance at of the end of previous fiscal year:	¥2,856,381 million
Dividend to policyholders paid during the year:	¥396,351 million
Increase due to interest accrued during the year:	¥25,357 million
Decrease due to purchasing additional benefit contracts:	¥870 million
Provision for reserve for policyholders' dividends:	¥275,913 million
Reserves at the end of the current fiscal year:	¥2,760,430 million
- The amounts of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, in accordance with Article 259 of the Insurance Business Law, are estimated to be ¥1,384 million at the end of the current fiscal year.
The contribution amounts are recognized as operating expenses at the time of payment.
- As policy reserves (except for the risk reserve) related to the reinsurance contracts undertaken by the Management Organization for Postal Savings and Postal Life Insurance ("the Organization"), ¥93,166,194 million is reserved. The amount is calculated in accordance with the calculation method prescribed by the company for premiums and policy reserves, and thus it exceeds the amount calculated according to the method prescribed in the calculation rule on policy reserves for postal life insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No. 101, 2005).
The company has also provisioned a risk reserve of ¥2,885,580 million and ¥446,581 million of reserve for price fluctuations in security investments which are arising from these reinsurance contracts.
- "Deposits from the Organization" stated on the balance sheet are equivalent to the outstanding amount as of the end of the current fiscal year of reserves at the company for indemnification and litigation which previously belonged to the Management Organization for Postal Savings and Postal Life Insurance and were transferred at the time of privatization to Japan Post Insurance under the insurance business consignment agreement with the Organization.
- Japan Post Insurance is currently investigating whether there are some cases in which additional insurance benefits should be paid. The investigation is ongoing and calculating the additional future payments is difficult at this moment.

2. Notes to Statements of Income

- Revenues from transactions with related parties are ¥12 million, while expenses are ¥7,500 million.
- Main components of the gains on sales of securities are those of ¥9,318 million on sales of Japanese government bonds and other bonds and ¥57,313 million on sales of foreign securities.
- Main components of the losses on sales of securities are those of ¥6,392 million on sales of Japanese government bonds and other bonds and ¥100,772 million on sales of foreign securities.

- The main component of the losses on valuation of securities is ¥58,738 million for foreign securities.
- Losses on money held in trust includes those on valuation of securities of ¥243,989 million.
- Premiums include the premiums of ¥5,629,491 million for accepted reinsurance paid by the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, under a contract concerning reinsurance concluded with the entity.
- Insurance payments include an insurance payment of ¥13,865,789 million to the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, under the reinsurance contract concluded with the entity.
- Losses on sales and disposal of fixed assets consist primarily of ¥1,420 million for tools and fixtures and ¥392 million for software.
- Other extraordinary gains consists primarily of a ¥3,019 million tax refund from the United States.

3. Notes to Statements of Changes in Net Assets

- Information concerning type and number of outstanding shares
(Thousands of shares)

	Number of shares at the end of the previous term	Increase	Decrease	Number of shares as of March 31, 2009
Outstanding shares				
Common	20,000	—	—	20,000

- Matters concerning dividends
Cash dividends (paid) applicable to the current fiscal year
None

4. Notes to Statement of Cash Flows

Relationship between cash and cash equivalents at the end of the period and amounts in categories on the balance sheet

Cash and deposits	¥2,279,210 million
Cash and cash equivalents	¥2,279,210 million

5. Notes to Tax Effect Accounting

The major components causing deferred tax assets and liabilities are as follows (as of March 31, 2009):

Deferred tax assets:	
Losses on investment of money held in trust	¥51,948 million
Reserve for outstanding claims	¥48,238 million
Policy reserves	¥40,273 million
Reserve for employees' retirement benefits	¥19,432 million
Net unrealized gains (losses) on available-for-sale securities	¥12,121 million
Reserve for price fluctuations in security investments	¥8,117 million
Others	¥13,083 million
Sub-total	¥193,214 million
Valuation allowance for deferred tax assets	¥(91)million
Total deferred tax assets	¥193,122 million

Deferred tax liabilities:	
Net unrealized gains (losses) on available-for-sale securities	¥(15,832)million
Others	¥(1,401)million
Total deferred tax liabilities	¥(17,233)million

6. Securities

1. Trading securities (As of March 31, 2009)

None

2. Held-to-maturity bonds with market quotations (As of March 31, 2009)

(Millions of yen)

Type	Carrying values on the balance sheet at balance sheet date	Market value	Net unrealized gain/loss
Securities with market values exceeding carrying values on the balance sheet	(1) Corporate and government bonds	34,122,116	35,127,199
	1. Japanese government bonds	28,588,952	29,460,308
	2. Japanese local government bonds	2,040,042	2,098,137
	3. Japanese corporate bonds	3,493,120	3,568,753
	(2) Foreign securities	–	–
	(3) Others	–	–
	Sub-total	34,122,116	35,127,199
Securities with market values not exceeding carrying values on the balance sheet	(1) Corporate and government bonds	1,238,024	1,231,434
	1. Japanese government bonds	658,615	655,161
	2. Japanese local government bonds	405,464	402,892
	3. Japanese corporate bonds	173,944	173,380
	(2) Foreign securities	–	–
	(3) Others	–	–
	Sub-total	1,238,024	1,231,434
Total	35,360,140	36,358,633	998,492

3. Bonds earmarked for policy reserves with market quotations (As of March 31, 2009)

(Millions of yen)

Type	Carrying values on the balance sheet at balance sheet date	Market value	Net unrealized gain/loss
Securities with market values exceeding carrying values on the balance sheet	(1) Corporate and government bonds	36,182,607	36,985,127
	1. Japanese government bonds	33,302,757	34,062,706
	2. Japanese local government bonds	1,102,319	1,127,195
	3. Japanese corporate bonds	1,777,530	1,795,226
	(2) Foreign securities	–	–
	(3) Others	–	–
	Sub-total	36,182,607	36,985,127
Securities with market values not exceeding carrying values on the balance sheet	(1) Corporate and government bonds	4,638,612	4,550,897
	1. Japanese government bonds	3,289,024	3,204,313
	2. Japanese local government bonds	987,165	985,046
	3. Japanese corporate bonds	362,422	361,536
	(2) Foreign securities	–	–
	(3) Others	–	–
	Sub-total	4,638,612	4,550,897
Total	40,821,219	41,536,025	714,805

4. Available-for-sale securities with market quotations (As of March 31, 2009)

(Millions of yen)

Type	Acquisition cost	Carrying values on the balance sheet at balance sheet date	Net unrealized gain/loss
Securities with market values exceeding carrying values on the balance sheet	(1) Stocks	–	–
	(2) Corporate and government bonds	3,401,255	3,433,385
	1. Japanese government bonds	1,493,549	1,499,636
	2. Japanese local government bonds	21,219	21,335
	3. Japanese corporate bonds	1,886,487	1,912,413
	(3) Foreign securities	422,069	432,802
	1. Foreign corporate and government bonds	422,069	432,802
	2. Foreign stocks	–	–
	3. Other foreign securities	–	–
	(4) Others	–	–
Securities with market values not exceeding carrying values on the balance sheet	Sub-total	3,823,324	3,866,188
	(1) Stocks	–	–
	(2) Corporate and government bonds	2,843,421	2,828,616
	1. Japanese government bonds	2,344,382	2,334,338
	2. Japanese local government bonds	–	–
	3. Japanese corporate bonds	499,038	494,278
	(3) Foreign securities	451,583	450,681
	1. Foreign corporate and government bonds	451,583	450,681
	2. Foreign stocks	–	–
	3. Other foreign securities	–	–
Total	(4) Others	4,600	4,527
	Sub-total	3,299,604	3,283,825
	Total	7,122,928	7,150,014
			27,085

Note 1: Beneficiary rights in trust recorded as monetary claims bought on the balance sheet (balance sheet amount of ¥4,527 million) are included in available-for-sale securities.

Note 2: Impairment losses on available-for-sale securities with market quotations are ¥58,738 million.

The losses on foreign securities of those are impaired if the exchange rate declines by 15% or more regardless of market quotations.

5. Held-to-maturity bonds sold during the fiscal year (From April 1, 2008 to March 31, 2009)

None

6. Bonds earmarked for policy reserves sold during the fiscal year (From April 1, 2008 to March 31, 2009)

(Millions of yen)

Proceeds from sale	Total profit on sale	Total loss on sale
1,147,258	7,655	6,140

7. Available-for-sale securities sold during the fiscal year (From April 1, 2008 to March 31, 2009)

(Millions of yen)

Proceeds from sale	Total profit on sale	Total loss on sale
2,291,802	58,976	101,024

8. Securities without market quotations stated at cost on the balance sheet (As of March 31, 2009)

(Millions of yen)

Category	Balance sheet amount
(1) Held-to-maturity securities	–
Non-listed overseas securities	–
Others	–
(2) Bonds earmarked for policy reserves	–
(3) Equities of subsidiaries and affiliated companies	–
(4) Other marketable securities	1,149,100
Non-listed domestic equities (excluding OTC traded equities)	–
Non-listed overseas equities (excluding OTC traded equities)	–
Non-listed overseas bonds	–
Others	1,149,100

Note: This graph includes negotiable certificates of deposit (carrying value on balance sheet of ¥1,149,100 million) expressed as cash and deposits.

9. Reclassified securities (From April 1, 2008 to March 31, 2009)

None

10. Redemption schedule of available-for-sale securities with maturity and securities held to maturity (As of March 31, 2009)

(Millions of yen)

Type	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
(1) Corporate and government bonds	9,306,515	28,629,097	31,544,798	12,962,951
1. Japanese government bonds	7,074,714	24,210,409	26,064,543	12,323,657
2. Japanese local government bonds	365,896	1,049,190	2,949,041	192,198
3. Japanese corporate bonds	1,865,904	3,369,496	2,531,213	447,096
(2) Foreign securities	206,315	273,717	121,059	282,392
1. Foreign corporate and government bonds	206,315	273,717	121,059	282,392
2. Foreign stocks	–	–	–	–
3. Other foreign securities	–	–	–	–
(3) Others	1,149,100	–	–	4,527
Total	10,661,930	28,902,814	31,665,857	13,249,872

7. Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2009)

None

2. Money held in trust classified as held-to-maturity and earmarked for policy reserves (As of March 31, 2009)

None

3. Other Money held in trust (As of March 31, 2009)

(Millions of yen)

	Acquisition cost	Balance sheet amount	Net unrealized gain/loss
Other money held in trust	425,960	409,123	(16,837)

Note: Impairment losses on other money held in trust are ¥243,989 million.

The losses on domestic shares composed of those are impaired if the average market rate during the month prior to the fiscal year-end declines by 30% or more.

8. Per Share Information

(Yen)

2009 (From April 1, 2008 to March 31, 2009)	
Net assets per share	53,637.80
Net income per share	1,915.83

Note: Net income per share after adjustment for dilutive effect is not presented as no dilutive securities exist.

9. Subsequent Events

None