

1. Message from the President

I am pleased to have this opportunity to explain the business results of the Japan Post Group to our customers, investors, and other stakeholders in this Annual Report for fiscal 2010. We hope this Annual Report will deepen your understanding of the Japan Post Group.



Review of Fiscal 2010

This marks the first year-end settlement of accounts since I assumed the position of president of Japan Post Holdings Co., Ltd., last October. Looking at the business results for fiscal 2010, factors such as an improvement in the bottom line at our two financial services companies due to the nascent stabilization of the financial environment resulted in consolidated net ordinary income of ¥1,007.2 billion and net income of ¥450.2 billion. Given the continuing challenges of the current economic climate, I believe these are reasonable results.

During fiscal 2010, Japan Post Group both worked to improve customer service so that more customers might make use of post office services and undertook a variety of measures to bring customer feedback to bear on its operations.

Specifically, we introduced a range of new products and services, including by making merchandise such as regional postcards and writing supplies available for purchase at post offices, adding online Letax service application and delivery confirmation capability, introducing lacquer-themed and fabric Letax mat board, and launching Letter Pack 500 and 350 service in April 2010.

Additionally, as part of an effort to solicit a wide range of opinions and requests from customers concerning the products and services provided by Group companies, we recruited 10,000 customers to serve as post office monitors. We also held a series of meetings nationwide to solicit opinions on Japan Post Group services.

Fiscal 2010 also brought the discovery of insider fraud involving significant sums of money as well as a series of

criticisms calling attention to problematic practices in such areas as the transfer of real estate holdings. We take these criticisms extremely seriously. Concerning the transfer of real estate holdings, we immediately reviewed internal Group regulations and established an Examining Board for the Sales of Real Estate to ensure fairness and transparency in real estate sale procedures. Additionally, we took necessary steps to make other improvements in our operations, for example by setting up a Joint Compliance Countermeasures Headquarters tasked with preventing a recurrence of the misconduct. Going forward, we will continue to strengthen our internal management stance.

We also continue to investigate whether insurance payouts under postal life insurance policies entered into by Japan Post were made in an appropriate manner. Where these investigations indicate a need to make additional payments or encourage policyholders to make claims, we are notifying customers and initiating the payment process. We will continue these initiatives in the future in order to resolve customers' concerns as quickly as possible.

Issues for the Future

Currently, the Japan Post Group is working to address two chief issues based on its fiscal 2010 performance.

The first issue consists of initiatives to provide services offered by our three businesses to customers at post offices nationwide in a unified and consistent manner. Fiscal 2010 saw a continuation of the trend toward reductions in mail volume, savings balances, and insurance policy volume. Going forward, we must marshal and make maximum possible use of the Group's management resources in order to stabilize and improve results in each of these segments of our business.

The Group's most valuable management resource is a nationwide network of post offices. It is by revitalizing this network that we will be able to enhance the services we provide to customers.

Specifically, we will work both to provide the basic services of these three businesses to customers through post offices nationwide in a unified and reliable manner, and to enhance our portfolio of products and services by developing new businesses in response to customer needs. By developing locally grounded businesses and assuring our continued ability to fulfill the diverse range of roles that post offices have played until now, we will

strive to achieve sustainable group-wide growth together with our customers and the local communities in which we operate.

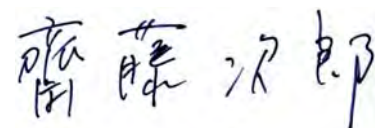
The second issue consists of strengthening the Group's stance on internal management. Our businesses were built on customer trust developed over the course of some 140 years of history. In addition to assuring legal compliance and management transparency in order to earn unshakable trust from our customers as a private company offering public services, we will work to further improve operational quality and implement policies to strengthen governance.

Specifically, this effort will involve articulating a management posture founded on a group-wide approach to legal compliance and moving aggressively to prevent a recurrence of past misconduct by improving awareness of compliance companywide. We will also strengthen partnerships within the Group and work to improve operational quality. Furthermore, we will assure management transparency with an eye on the future listing of company shares by strengthening the Group's internal controls.

Currently, our business is facing a range of issues in each of its mail, banking, and insurance segments, bringing us to a turning point in our history. I look forward to taking on each of these issues head-on as we take advantage of our distinctive status as a single entity involved in these three businesses. Drawing strength from your expectations and trust, all executives and employees will continue to strive toward the goals of reform so that we might provide better services.

The Japan Post Group looks forward to your continued support.

Jiro Saito
President & CEO
Japan Post Holdings Co., Ltd.
July 2010



2. The Operations of the Japan Post Group

Nationwide Post Office Network

With 24,531 locations, our network of post offices covers all of Japan's 1,750 cities, towns, and villages*. These post offices, which serve as bases for various postal, banking, and insurance services that are offered by the Japan Post Group, have been an integral part of local communities for many years, and the Japanese public has come to greatly appreciate this extensive network.

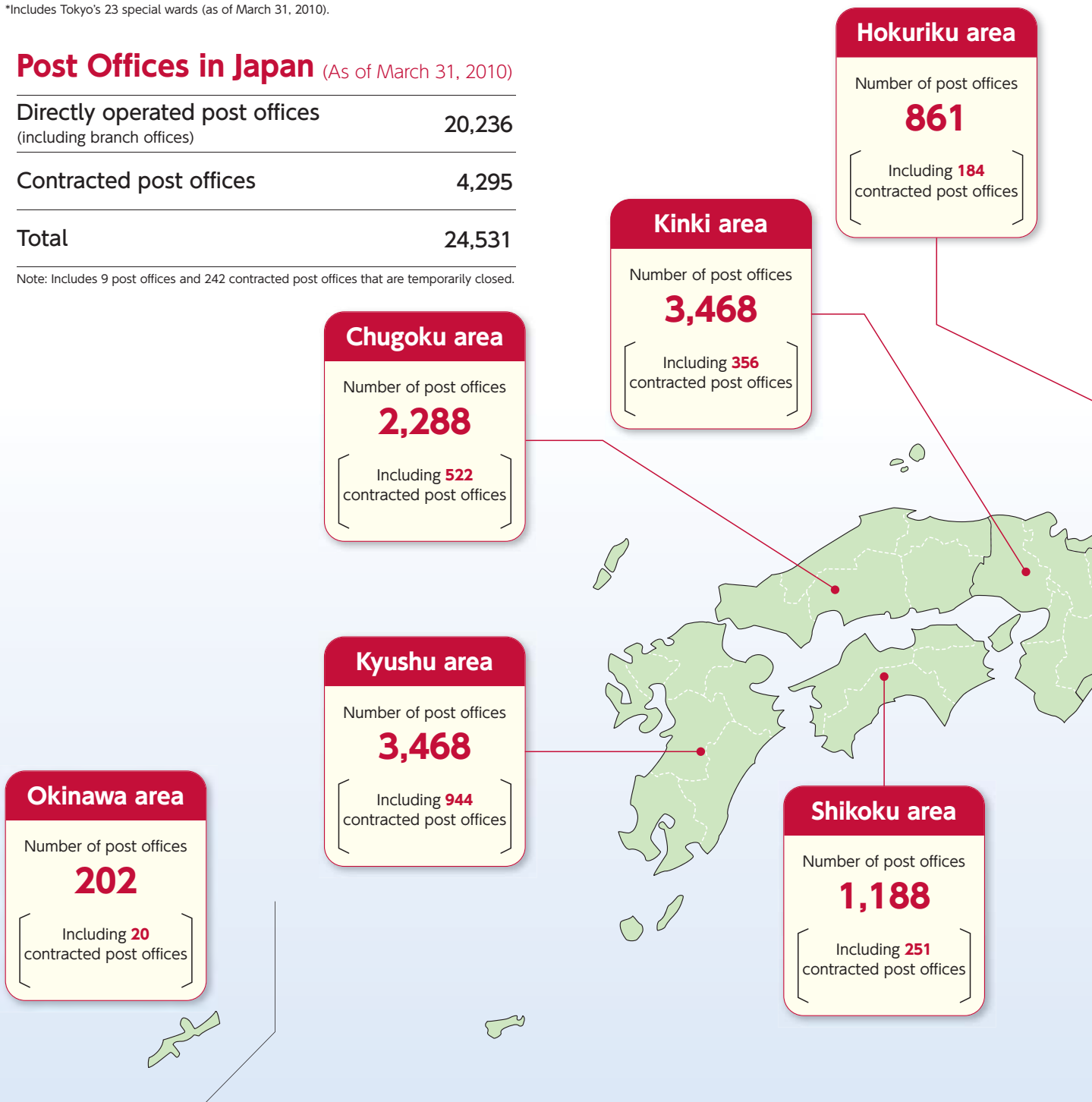
The Group looks forward to taking advantage of these post offices to provide convenient new services to residents of the communities we serve while ensuring their ability to access postal, banking, and insurance services in a unified manner throughout Japan.

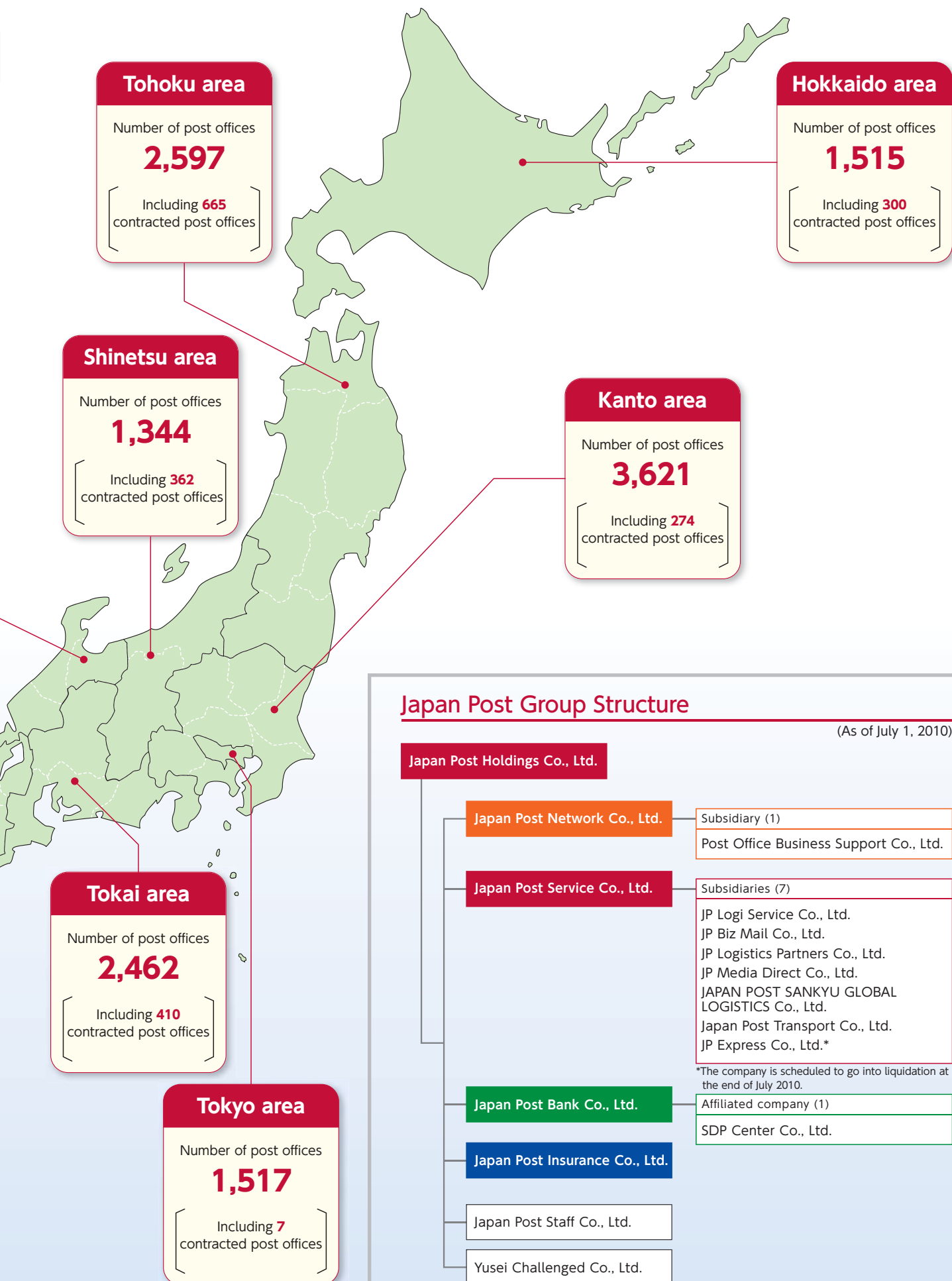
*Includes Tokyo's 23 special wards (as of March 31, 2010).

Post Offices in Japan (As of March 31, 2010)

Directly operated post offices (including branch offices)	20,236
Contracted post offices	4,295
Total	24,531

Note: Includes 9 post offices and 242 contracted post offices that are temporarily closed.





3. Japan Post Group Financial Review

1 Consolidated Summary (April 1, 2009 to March 31, 2010)

The Japan Post Group's consolidated net ordinary income was ¥1,007.2 billion and net income was ¥450.2 billion. At the end of the fiscal year, total assets amounted to ¥298,571.3 billion and net assets totaled ¥9,625.9 billion.

1. Results of Operations (Year ended March 31, 2010)

	Japan Post Group (consolidated)	Japan Post Holdings (non-cons.)	Japan Post Network (non-cons.)	Japan Post Service (non-cons.)	Japan Post Bank (non-cons.)	Japan Post Insurance (non-cons.)
Net ordinary income	¥1,007.2 billion	¥147.1 billion	¥62.4 billion	¥56.9 billion	¥494.2 billion	¥379.6 billion
Net income	¥450.2 billion	¥145.3 billion	¥32.9 billion	(¥47.4 billion)	¥296.7 billion	¥70.1 billion

(Reference: Year ended March 31, 2009)

Net ordinary income	¥830.5 billion	¥109.9 billion	¥83.8 billion	¥58.9 billion	¥385.2 billion	¥214.2 billion
Net income	¥422.7 billion	¥109.0 billion	¥40.8 billion	¥29.8 billion	¥229.3 billion	¥38.3 billion

Note: Amounts less than ¥100 million are rounded down. The aggregate consolidated amounts and aggregate non-consolidated amounts do not correspond because of other consolidated accounting procedures.

The results of operations for the fiscal year ended March 31, 2010 for five companies (Japan Post Holdings, Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance) are shown

above. After adding the results of operations of other subsidiaries and affiliated companies to consolidated operations, net income amounted to ¥450.2 billion.

2. Financial Conditions (Year ended March 31, 2010)

	Japan Post Group (consolidated)	Japan Post Holdings (non-cons.)	Japan Post Network (non-cons.)	Japan Post Service (non-cons.)	Japan Post Bank (non-cons.)	Japan Post Insurance (non-cons.)
Total assets	¥298,571.3 billion	¥9,625.5 billion	¥3,252.3 billion	¥1,963.4 billion	¥194,678.3 billion	¥100,969.7 billion
Total liabilities	¥288,945.3 billion	¥1,360.1 billion	¥2,985.1 billion	¥1,736.4 billion	¥185,838.8 billion	¥99,800.4 billion
Net assets	¥9,625.9 billion	¥8,265.3 billion	¥267.1 billion	¥226.9 billion	¥8,839.5 billion	¥1,169.3 billion

(Reference: Year ended March 31, 2009)

Total assets	¥305,894.4 billion	¥9,525.2 billion	¥3,256.5 billion	¥2,050.1 billion	¥196,480.7 billion	¥106,577.9 billion
Total liabilities	¥297,148.2 billion	¥1,378.1 billion	¥3,012.1 billion	¥1,768.2 billion	¥188,301.2 billion	¥105,505.2 billion
Net assets	¥8,746.1 billion	¥8,147.1 billion	¥244.3 billion	¥281.9 billion	¥8,179.5 billion	¥1,072.7 billion

Note: Amounts less than ¥100 million are rounded down. The aggregate consolidated amounts and aggregate non-consolidated amounts do not correspond because of other consolidated accounting procedures.

Consolidated total assets at the end of the fiscal year were ¥298,571.3 billion, a year-on-year decrease of ¥7,323.1 billion. Assets included securities in the amount of ¥258,834.9 billion and loans discounted in the amount of ¥20,283.1 billion.

Consolidated total liabilities at the end of the fiscal year were ¥288,945.3 billion, a year-on-year decrease of ¥8,202.8 billion. Liabilities included deposits in the amount of ¥174,787.7 billion and policy reserves in the amount of ¥97,226.8 billion.

After excluding ¥27.2 billion in dividends within retained earnings and adding consolidated net income of ¥450.2 billion, net assets rose from ¥8,746.1 billion at the end of the previous fiscal year-end to ¥9,625.9 billion. Net assets included net unrealized gains on available for-sale securities in the amount of ¥423.6 billion.

As of March 31, 2010, the consolidated capital adequacy ratio (domestic standard) was 69.77%.

3. Consolidated Financial Highlights (April 1, 2009 to March 31, 2010)

■ Consolidated Results of Operations

Ordinary income (Year ended March 31, 2010) ¥18,773,630 million (Year ended March 31, 2009) ¥19,961,705 million	Net ordinary income (Year ended March 31, 2010) ¥1,007,260 million (Year ended March 31, 2009) ¥830,565 million	Net income (Year ended March 31, 2010) ¥450,220 million (Year ended March 31, 2009) ¥422,793 million			
Net income per share	(Year ended March 31, 2010) ¥3,001.47 (Year ended March 31, 2009) ¥2,818.62	Diluted net income per share (Note)	(Year ended March 31, 2010) — (Year ended March 31, 2009) —		
Return on equity	(Year ended March 31, 2010) 4.9% (Year ended March 31, 2009) 5.0%	Net ordinary income/ Total assets	(Year ended March 31, 2010) 0.3% (Year ended March 31, 2009) 0.3%	Net ordinary income/ Ordinary income	(Year ended March 31, 2010) 5.4% (Year ended March 31, 2009) 4.2%

(Reference) Equity in earnings (losses) of affiliates
 Fiscal year ended March 31, 2010: ¥17 million
 Fiscal year ended March 31, 2009: (¥714 million)

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

■ Financial Condition

Total assets	(Year ended March 31, 2010) ¥298,571,321 million (Year ended March 31, 2009) ¥305,894,430 million	Net assets	(Year ended March 31, 2010) ¥9,625,962 million (Year ended March 31, 2009) ¥8,746,172 million		
Capital adequacy ratio (Note 1)	(Year ended March 31, 2010) 3.2% (Year ended March 31, 2009) 2.9%	Net assets per share	(Year ended March 31, 2010) ¥64,165.72 (Year ended March 31, 2009) ¥58,301.42	Consolidated capital adequacy ratio (domestic standard) (Note 2)	(Year ended March 31, 2010) 69.77% (Year ended March 31, 2009) 67.62%

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

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

(Reference) Equity capital
 Fiscal year ended March 31, 2010: ¥9,624,858 million
 Fiscal year ended March 31, 2009: ¥8,745,212 million

2 Japan Post Holdings Financial Highlights (April 1, 2009 to March 31, 2010)

In addition to serving as a holding company, Japan Post Holdings operates hospitals and hotels and also contracts to provide shared services to Group companies. Ordinary income was ¥321.1 billion, net ordinary income was ¥147.1 billion and net income was ¥145.3 billion.

■ Results of Operations

Operating income (Year ended March 31, 2010) ¥317,087 million (Year ended March 31, 2009) ¥303,099 million	Net operating income (Year ended March 31, 2010) ¥144,339 million (Year ended March 31, 2009) ¥107,173 million	Net ordinary income (Year ended March 31, 2010) ¥147,179 million (Year ended March 31, 2009) ¥109,919 million	Net income (Year ended March 31, 2010) ¥145,389 million (Year ended March 31, 2009) ¥109,026 million		
Net income per share	(Year ended March 31, 2010) ¥969.26 (Year ended March 31, 2009) ¥726.84	Diluted net income per share (Note)	(Year ended March 31, 2010) — (Year ended March 31, 2009) —		
Return on equity	(Year ended March 31, 2010) 1.8% (Year ended March 31, 2009) 1.3%	Net ordinary income/ Total assets	(Year ended March 31, 2010) 1.5% (Year ended March 31, 2009) 1.1%	Net operating income/ Operating income	(Year ended March 31, 2010) 45.5% (Year ended March 31, 2009) 35.4%

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

■ Financial Condition

Total assets	(Year ended March 31, 2010) ¥9,625,504 million (Year ended March 31, 2009) ¥9,525,259 million	Net assets	(Year ended March 31, 2010) ¥8,265,323 million (Year ended March 31, 2009) ¥8,147,114 million	
Capital adequacy ratio	(Year ended March 31, 2010) 85.9% (Year ended March 31, 2009) 85.5%	Net assets per share	(Year ended March 31, 2010) ¥55,102.16 (Year ended March 31, 2009) ¥54,314.10	(Reference) Equity capital Fiscal year ended March 31, 2010: ¥8,265,323 million Fiscal year ended March 31, 2009: ¥8,147,114 million

3 Japan Post Network Financial Highlights (April 1, 2009 to March 31, 2010)

Efforts to control operating expenses helped offset a year-on-year decrease in operating income at Japan Post Network. Operating income amounted to ¥1,263.9 billion, and net operating income totaled ¥52.1 billion. Ordinary income was ¥1,293.7 billion, net ordinary income was ¥62.4 billion and net income was ¥32.9 billion.

Results of Operations

Operating income (Year ended March 31, 2010) ¥1,263,975 million (Year ended March 31, 2009) ¥1,293,229 million	Net operating income (Year ended March 31, 2010) ¥52,173 million (Year ended March 31, 2009) ¥68,375 million	Net ordinary income (Year ended March 31, 2010) ¥62,439 million (Year ended March 31, 2009) ¥83,880 million	Net income (Year ended March 31, 2010) ¥32,981 million (Year ended March 31, 2009) ¥40,843 million
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Net income per share	(Year ended March 31, 2010) ¥ 8,245.29 (Year ended March 31, 2009) ¥10,210.97	Diluted net income per share (Note)	(Year ended March 31, 2010) — (Year ended March 31, 2009) —
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Return on equity	(Year ended March 31, 2010) 12.9% (Year ended March 31, 2009) 18.2%	Net ordinary income/Total assets	(Year ended March 31, 2010) 1.9% (Year ended March 31, 2009) 2.6%	Net operating income/Operating income	(Year ended March 31, 2010) 4.1% (Year ended March 31, 2009) 5.3%
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Note: Because there was no dilution, the amount for net income per share after dilution is omitted.

Financial Condition

Total assets	(Year ended March 31, 2010) ¥3,252,318 million (Year ended March 31, 2009) ¥3,256,547 million	Net assets	(Year ended March 31, 2010) ¥267,122 million (Year ended March 31, 2009) ¥244,352 million
Capital adequacy ratio	(Year ended March 31, 2010) 8.2% (Year ended March 31, 2009) 7.5%	Net assets per share	(Year ended March 31, 2010) ¥66,780.65 (Year ended March 31, 2009) ¥61,088.12

(Reference)Equity capital
Fiscal year ended March 31, 2010: ¥267,122 million
Fiscal year ended March 31, 2009: ¥244,352 million

4 Japan Post Service Financial Highlights (April 1, 2009 to March 31, 2010)

Japan Post Service handled a total of 23,387.41 million items (a year-on-year decrease of 2.3%), including 20,582.75 million items of mail (down 3.0%), 264.03 million Yu-Pack parcels (down 4.7%) and 2,540.63 million Yu-Mail booklet parcels (up 4.8%). Ordinary income was ¥1,835.0 billion and net ordinary income was ¥56.9 billion. An extraordinary loss related to JP Express resulted in a net loss of ¥47.4 billion.

Results of Operations

Operating income (Year ended March 31, 2010) ¥1,813,048 million (Year ended March 31, 2009) ¥1,865,282 million	Net operating income (Year ended March 31, 2010) ¥42,779 million (Year ended March 31, 2009) ¥44,888 million	Net ordinary income (Year ended March 31, 2010) ¥56,997 million (Year ended March 31, 2009) ¥58,974 million	Net income (Year ended March 31, 2010) (¥47,493 million) (Year ended March 31, 2009) ¥29,812 million
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Net income per share	(Year ended March 31, 2010) (¥11,873.34) (Year ended March 31, 2009) ¥ 7,453.17	Diluted net income per share (Note)	(Year ended March 31, 2010) — (Year ended March 31, 2009) —
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Return on equity	(Year ended March 31, 2010) (18.7%) (Year ended March 31, 2009) 10.8%	Net ordinary income/Total assets	(Year ended March 31, 2010) 2.8% (Year ended March 31, 2009) 2.8%	Net operating income/Operating income	(Year ended March 31, 2010) 2.4% (Year ended March 31, 2009) 2.4%
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Note: Because there was no dilution, the amount for net income per share after dilution is omitted.

Financial Condition

Total assets	(Year ended March 31, 2010) ¥1,963,440 million (Year ended March 31, 2009) ¥2,050,151 million	Net assets	(Year ended March 31, 2010) ¥226,981 million (Year ended March 31, 2009) ¥281,928 million
Capital adequacy ratio	(Year ended March 31, 2010) 11.6% (Year ended March 31, 2009) 13.8%	Net assets per share	(Year ended March 31, 2010) ¥56,745.46 (Year ended March 31, 2009) ¥70,482.09

(Reference)Equity capital
Fiscal year ended March 31, 2010: ¥226,981 million
Fiscal year ended March 31, 2009: ¥281,928 million

5 Japan Post Bank Financial Highlights (April 1, 2009 to March 31, 2010)

As a result of its close collaboration with Japan Post Network, Japan Post Bank held deposits totaling ¥175.7 trillion (down ¥1.6 trillion from the year ended March 31, 2009) (deposits including unpaid interest amounted to ¥176.4 trillion [down ¥1.5 trillion]). Ordinary income (revenues) was ¥2,207.9 billion, net ordinary income was ¥494.2 billion and net income was ¥296.7 billion. Net operating profit was ¥489.0 billion, while the capital adequacy ratio (Basel II) was 91.62%.

Results of Operations

Ordinary income (Revenues) (Year ended March 31, 2010) ¥2,207,942 million (Year ended March 31, 2009) ¥2,488,552 million	Net ordinary income (Year ended March 31, 2010) ¥494,252 million (Year ended March 31, 2009) ¥385,243 million	Net income (Year ended March 31, 2010) ¥296,758 million (Year ended March 31, 2009) ¥229,363 million
Net income per share (Year ended March 31, 2010) ¥1,978.38 (Year ended March 31, 2009) ¥1,529.08	Diluted net income per share (Note) (Year ended March 31, 2010) — (Year ended March 31, 2009) —	
Return on equity (Year ended March 31, 2010) 3.4% (Year ended March 31, 2009) 2.8%	Net ordinary income/ Total assets (Year ended March 31, 2010) 0.2% (Year ended March 31, 2009) 0.1%	Net ordinary income/ Ordinary income (Year ended March 31, 2010) 22.3% (Year ended March 31, 2009) 15.4%

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

Financial Condition

Total assets (Year ended March 31, 2010) ¥194,678,352 million (Year ended March 31, 2009) ¥196,480,796 million	Net assets (Year ended March 31, 2010) ¥8,839,547 million (Year ended March 31, 2009) ¥8,179,574 million	
Capital adequacy ratio (Year ended March 31, 2010) 4.5% (Year ended March 31, 2009) 4.1%	Net assets per share (Year ended March 31, 2010) ¥58,930.31 (Year ended March 31, 2009) ¥54,530.49	Capital adequacy ratio (domestic standard) (Note) (Year ended March 31, 2010) 91.62% (Year ended March 31, 2009) 92.09%

Note: The capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 14-2 of the Banking Act and on the basis of calculation formulae prescribed under the criteria for judging whether a bank's capital adequacy ratio is appropriate in light of assets held (Financial Services Agency Notice No. 19, 2006).

(Reference) Equity capital
 Fiscal year ended March 31, 2010: ¥8,839,547 million
 Fiscal year ended March 31, 2009: ¥8,179,574 million

6 Japan Post Insurance Financial Highlights (April 1, 2009 to March 31, 2010)

As a result of efforts to strengthen its sales promotion capabilities in collaboration with Japan Post Network, Japan Post Insurance established 2.05 million new insurance policies for individuals (a year-on-year increase of 0.13 million), posting ordinary income of ¥14,591.6 billion, net ordinary income of ¥379.6 billion and net income of ¥70.1 billion. Insurance premiums amounted to ¥7,505.6 billion, and core profit was ¥427.1 billion, while retained earnings (reserve for price fluctuations and contingency reserve) totaled ¥3,372.0 billion, for a solvency margin ratio of 1,663.9%.

Results of Operations

Ordinary income (Year ended March 31, 2010) ¥14,591,640 million (Year ended March 31, 2009) ¥15,533,727 million	Net ordinary income (Year ended March 31, 2010) ¥379,623 million (Year ended March 31, 2009) ¥214,285 million	Net income (Year ended March 31, 2010) ¥70,126 million (Year ended March 31, 2009) ¥38,316 million
Net income per share (Year ended March 31, 2010) ¥3,506.34 (Year ended March 31, 2009) ¥1,915.83	Diluted net income per share (Note) (Year ended March 31, 2010) — (Year ended March 31, 2009) —	
Return on equity (Year ended March 31, 2010) 6.3% (Year ended March 31, 2009) 3.9%	Net ordinary income/ Total assets (Year ended March 31, 2010) 0.4% (Year ended March 31, 2009) 0.2%	Net ordinary income/ Ordinary income (Year ended March 31, 2010) 2.6% (Year ended March 31, 2009) 1.4%

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

Financial Condition

Total assets (Year ended March 31, 2010) ¥100,969,782 million (Year ended March 31, 2009) ¥106,577,963 million	Net assets (Year ended March 31, 2010) ¥1,169,366 million (Year ended March 31, 2009) ¥1,072,756 million	
Capital adequacy ratio (Year ended March 31, 2010) 1.2% (Year ended March 31, 2009) 1.0%	Net assets per share (Year ended March 31, 2010) ¥58,468.32 (Year ended March 31, 2009) ¥53,637.80	(Reference) Equity capital Fiscal year ended March 31, 2010: ¥1,169,366 million Fiscal year ended March 31, 2009: ¥1,072,756 million

4. Group Company Messages



Koji Furukawa

Chairman & CEO
Japan Post Network Co., Ltd.



Akira Nagatomi

President
Japan Post Network Co., Ltd.

Japan Post Network is working to offer new products and services through its postal, banking and insurance services—the core businesses of post offices—that more closely meet the diverse needs of its customers. These efforts are in keeping with our management philosophy of offering products and services transparently through readily available post office networks, aiming to “help customers lead a better and more comfortable life at present and in the future.”

During fiscal 2010, we worked to facilitate and expand customer use of post office services and to foster new customer relationships through a variety of promotional campaigns undertaken in partnership with the companies of the Japan Post Group. Other initiatives included introducing new product catalogs and expanding over-the-counter sales to diversify revenue. Thanks to these efforts as well as efforts to limit personnel expenses and non-personnel related expenses, Japan Post Network recorded operating income of ¥1,263.9 billion, net ordinary income of ¥62.4 billion, and net income of ¥32.9 billion.

Post offices serve as vital points of contact between the Japan Post Group and its customers and thus play a crucial role in the Group’s growth and development. To date, we have worked to create operational mechanisms to prevent compliance violations and to offer training and develop internal rules conducive to increased employee awareness of compliance in order to ensure our ability to earn the trust of our customers.

Last December, regulatory agencies discovered a case of misconduct in our operations and took steps including the issue of

a business improvement order. In response, we developed and announced a business improvement plan this January in order to further strengthen compliance by enhancing associated internal initiatives.

We take this order seriously and are bringing our full resources to bear to prevent a recurrence by enhancing and strengthening our internal management systems.

At the same time, we will strengthen our revenue base in order to become a company capable of providing broad support for customer lifestyles by both strengthening sales initiatives in our three core businesses of postal, banking, and insurance services and working to develop and enhance our sales system in new businesses. In addition to further streamlining our operations, we will continue to develop necessary systems and work to strengthen the management foundation that is necessary for us to conduct operations in a smooth manner. Furthermore, we will strive to maintain the quality of the post office network that is a shared asset of the Japanese people as we work to maintain and utilize it by pursuing measures to strengthen local one-stop government functions and revitalize local communities by operating post offices with strong local roots.

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



Shinichi Nabekura

President and COO
Japan Post Service Co., Ltd.

For some 140 years, the postal business was a government-operated entity that provided mail services to anyone anytime and anywhere. This form of communication in Japan has been easily accessible to all as well as closely linked to enhancing people's daily lives.

Japan Post Service commenced operations on October 1, 2007, following the privatization of Japan Post. While maintaining universal postal service, Japan Post Service continues to pursue its business activities based on the management philosophy of creating a "network that conscientiously connects people, businesses, and society" by providing services that enable the public to enjoy secure, certain, and speedy communications and the benefit of logistics functions.

Mail and Yu-Pack volumes decreased in fiscal 2009 due to various significant factors. These included reduced corporate spending on communications and marketing and contracted movement of goods owing to the global economic slowdown triggered by the collapse of Lehman Brothers in September 2008. Other impacting factors were declining mail volumes resulting from greater use of email and more intensified competition in the parcel delivery market. Despite those declines, Japan Post Service recorded stable earnings in fiscal 2009, thanks to such initiatives as concerted efforts to control personnel expenses, with net ordinary income amounting to ¥56.9 billion. Nonetheless, we registered a net loss of ¥47.4 billion for the year owing to an extraordinary loss related to the succession and dissolution of JP Express Co., Ltd. (JPEX), which had been established to prepare for the planned October 2009 integration of parcel delivery operations with Nippon Express Co., Ltd. The Minister of Internal Affairs and Communications declined to approve the joint venture, forcing its delay.

Japan Post Service subsequently took over Pelican delivery

service from JPEX on July 1, 2010 and launched a new Yu-Pack Service. Due in part to a lack of sufficient preparations, a large number of customers were inconvenienced by delivery delays immediately after its launch. In addition to improving Yu-Pack service while assuring stable operations, we will work assiduously to slow the decline in earnings by strengthening our sales organization, providing new products, and enhancing human resources development as part of our overall efforts to develop a sound basis for future growth, our highest-priority issue.

We have launched international logistics operations by establishing Japan Post Sankyu Global Logistics Co., Ltd. in a joint venture with Sankyu Inc. Initially, services have been targeted at diverse customer needs in China, Eastern Europe and Southeast Asia, where market growth is expected in the coming years. The establishment of this company will also help Japan Post Service diversify and strengthen its overall earnings structure.

I firmly believe that maintaining the trust of our customers is especially crucial to fulfilling our mission of continuing to provide universal postal service. In fiscal 2009, however, a number of incidents occurred that undermined customer trust, including the improper transport of hazardous airfreight. To assure our ability to carry out our businesses properly in the future, we are actively strengthening internal controls that entail compliance, thorough internal audits, and risk management, and are also building and establishing structures to ensure our business operations are carried out in an appropriate manner. At the same time, we are continuing to provide our customers with the highest-quality services.

As we move forward with intensified efforts to achieve these goals, your continued counsel and support will be appreciated.



Shigeo Kawa

Director, Chairman
Japan Post Bank Co., Ltd.



Yoshiyuki Izawa

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

During fiscal 2010, Japan Post Bank worked toward achieving a series of concrete objectives conceived to enhance its internal management systems, advance its sales strategy, and augment its ALM strategy.

In our effort to enhance our internal management systems, we have sought to strengthen our management systems in areas such as compliance, customer protection, and quality in banking clerical operations; to reorganize our office operations; and to develop robust system infrastructure.

In our effort to advance our sales strategy, we have sought to integrate operations with Japan Post Network Co., Ltd., and to strengthen our retail management and sales capabilities. We have also worked to improve customer satisfaction and increase deposit balances.

In our effort to augment our ALM strategy, we have sought to secure stable periodical income by diversifying sources of revenue while appropriately controlling interest risk.

In December 2009, the Financial Services Agency issued a business improvement order in response to misconduct at Japan Post Bank and Japan Post Network Co., Ltd., a partner to which we outsource certain business operations.

We take this measure seriously, and we developed and announced a business improvement plan in January 2010 to

enhance and strengthen our internal management systems. Going forward, we will steadily implement this plan as we bring our full resources to bear in an effort to restore customer trust.

We have designated fiscal 2011 as a year for starting to strengthen our management foundation, and we will move quickly to pursue a number of initiatives predicated on thorough compliance.

First, we will work to more effectively strengthen our systems, including at agents, in line with our priority issues of compliance, aggressively protecting customers, and improving the quality of banking clerical operations. We will also strengthen our sales systems by establishing area headquarters in 13 locations nationwide. In terms of operations, we will work to secure more stable periodical income through efforts to diversify our management methods based on appropriate risk control through more sophisticated ALM.

Going forward, we will strive to provide better products and services in an effort to fulfill our management philosophy by becoming the most convenient and dependable bank in Japan while valuing the customer trust and confidence that we have earned during the 135 years since the founding of the postal savings business in 1875.

The management and employees of Japan Post Bank request your continued support as they strive to provide better products and services.


Josuke Shindo

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

Izumi Yamashita

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

Looking at our performance in fiscal 2010, we were able to steadily expand sales of new insurance policies thanks in part to efforts to strengthen our sales promotion system through cooperation with Japan Post Network Co., Ltd. We saw dramatic improvement in our asset management operations compared to the previous year, which was significantly impacted by disorder in the financial markets.

As a result, fiscal 2010 performance improved dramatically over the previous year, with net ordinary income of ¥379.6 billion and net income of ¥70.1 billion (compared to net ordinary income of ¥214.2 billion and net income of ¥38.3 billion in fiscal 2009). We continue to maintain a strong financial base, as evidenced by a solvency margin ratio of 1,663.9% and real net assets of ¥6,598.7 billion.

We embraced two initiatives as key management issues during fiscal 2010.

The first is the strengthening of our internal management systems. In December 2009, we received a business improvement order from the Financial Services Agency in response to misconduct at Japan Post Network Co., Ltd., a partner to which we outsource certain business operations. We take this regulatory action very seriously and are committed to marshalling all of our resources in the effort to enhance and strengthen our internal management systems through the steady implementation of the business improvement plan that we developed and announced in January.

The other initiative concerns checks on insurance benefit payments. For insurance benefits paid during the period when payments were handled by Japan Post (April 2003 to September 2007), we are currently verifying whether appropriate payments were made to beneficiaries. Where the verification indicates that we need to make additional payments or recommend that policyholders file claims, we are providing information to affected clients and proceeding with payment procedures. In addition to bringing this initiative to completion as quickly as possible, we will work to strengthen our payment management systems to prevent any recurrence of these issues.

Japan Post Insurance will continue to carry out its inherited social mission of "providing basic coverage for the people of Japan with insurance using simple procedures," which was the original goal of Postal Life Insurance when it was created in 1916. At the same time, we are guided by our management philosophy of moving forward with our customers while serving as "Japan's most familiar and trusted insurance company." As we fulfill our social mission, we will continually consider the customer's point of view as we continue to bring all of our resources to bear to offer easy-to-understand, easy-to-use products and services. In all our endeavors, we would appreciate your continued support.