

Dedicated to Providing the Public with the Best Possible Services

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1. Operations of Japan Post Network

1. Ensuring that Post Offices Continue to Be Greatly Appreciated by the Public

Functioning as the Japan Post Group's points of interface where we meet and serve our customers, post offices provide postal, banking and insurance products and services and are widely used by the public. Japan Post Network is committed to maintaining the level of its postal network while making unceasing efforts to create new types of post offices in striving to move forward together with the residents of the local communities we serve.

1. Initiatives for Maintaining the Post Office Network

Our post office network includes post offices directly operated by Japan Post Network and contracted post offices operated by local residents under outsourcing agreements. Some operators of contracted post offices have been unable to continue providing services for a variety of reasons, resulting in unavoidable temporary closures.

In response, Japan Post Network works to quickly resume operations and provides alternative services and other measures in communities affected by the closure of contracted post offices.

■ Initiatives for Resuming Operations at Temporarily Closed Contracted Post Offices

Since March 2008 support measures for contracted operators have been implemented, including an increase in handling commission fees paid to contractors and the implementation of a system for subleasing of facilities. As a result of these measures, the number of temporarily closed post offices, which stood at 417 at the time of privatization, was reduced to 242 as of the end of March 2010.

■ Provide Provisional Services for Temporarily Closed Contracted Post Offices

In areas where the operations of temporarily closed post offices are unlikely to be resumed soon, we are providing visiting services by personnel from directly operated post offices to rural areas to provide services at a public facility or other location (twice a week, a half-day each). Among the areas where contracted post offices have been temporarily closed, these services were being provided at 90 locations as of the end of March 2010.

In addition, directly operated post offices are opening temporary branches near post offices temporarily closed in communities that have no financial institutions, which includes post offices. At the end of March 2010, temporary branches were in operation at two locations.

■ Services Provided by Mobile Post Offices

As a measure to maintain the standards of the post office network, Japan Post Network is dispatching mobile post offices (*Poskuru*), which are specialized vehicles, to provide various services. At the end of March 2010, mobile post offices were in operation in Toyota City, Aichi Prefecture, as well as in Naruto City and the surrounding areas in Tokushima Prefecture.



Mobile post office (*Poskuru*)

2. Initiatives for Realizing Convenient Use of Post Offices

Japan Post Network is promoting the development and operation of a diverse assortment of post offices to realize post offices that can be even more conveniently used by numerous people. In addition, measures are also being implemented to help support people's lives in local communities.

In the future, we will aim to operate post offices that are convenient for our customers and which match the particular circumstances of each local community.

■ Measures to Develop a Diverse Assortment of Post Offices

We are promoting the development and operation of a diverse assortment of post offices to realize post offices that can be even more conveniently used by our customers. In specific terms, so that customers can use post offices in conjunction with their shopping activities we have engaged in efforts to combine post offices with convenience stores and open post offices in shopping malls. We have also set up post offices inside the facilities of local government entities, so that postal services can be offered along with various government services.



EMIFULL MASAKI Post Office (Post office situated inside a shopping mall in Ehime Prefecture)

■ Trial Operation of Large-scale Post Offices

In urban areas where significant numbers of people use post offices we are opening large-scale conveniently situated post offices that can respond smoothly to a high volume of customers. An array of new approaches focused on our service methods and products are also being adopted in line with our efforts to create new types of post offices on a trial basis.

We opened the first such new-type post office in the Nishi Shinbashi district of Tokyo's Minato Ward, which has a large concentration of company office buildings. Situated facing a road that serves as the center of the district, this post office is easy to locate and easily accessible by customers. At the post office's service counter lobby, we have stationed concierges who explain various procedures and provide proper guidance to customers depending on the nature of the transaction, which also helps reduce waiting times and raises service levels.

A merchandise sales corner offers products matched to the needs of a wide range of customers. Customers can choose from various commemorative stamps, *urusato* (hometown) parcels that enable customers to order local products and an abundant line of gift catalog products in addition to postal-related products and character merchandise.

In addition, we have opened a second large-scale post office at Tanimachi 4-chome in Chuo Ward, Osaka. The post office is located close to a subway station and facing the street so that it is easily accessible by people working in the office district and those living nearby. Here also we have established a concierge service, aiming to improve service provision.



Tanimachi 4-chome Post Office in Osaka

■ Working with Local Governments

At certain post offices, as part of our services to support the lives of the people in local communities we are conducting a number of services on behalf of local governments. These services include the issuance of official certification documents, the sale of tickets for various services and receipt of application forms for using public facilities.

(Services Handled)

• Official certification documents

At post office counters the following services are available: issuance of transcripts or extracts from family registers, copies of simplified family registers or detailed family registers, issuance of certificates of tax payment, copies of alien registration cards, and issuance of seal registration certificates.

• Sale of tickets, etc., and application for the use of public facilities

At post office counters the following services are available: sales of multiple-ride bus tickets, trash collection certificates, sewage treatment certificates, tickets to events, merchandise certificates, trash collection bags, etc., as well as the issuance of bus passes for the elderly. In addition, post offices counters accept application forms for using public facilities.

TOPICS

Post Office × KitKat “Support for Students Taking School Entrance Exam Project”

In the run-up to the 2010 school entrance examination season, Japan Post Network and Nestlé Japan Ltd. implemented a project that provided encouragement to students taking school entrance examinations. This was the second year for this project to be implemented and it took place with close cooperation among post offices, which have numerous points of contact with student exam takers through the delivery of school applications and acceptance letters, and Nestlé Japan Ltd., which sells KitKat chocolate wafers that are highly popular among students. Based on the concept *Kitto Sakura Saku Yo* (you're sure to get successful exam results), the *Sakura Saku* (successful exam results) student support bus was run, and sales of *Kit Mail* were launched, as well as the establishment of *Sakura Saku* post offices that provided wrapping depicting



cherry blossoms in full bloom. The project also featured television commercials, through which we supported exam takers and their families nationwide.

Sakura Saku
(successful exam results)
student support bus

2. Overview of Operations

Japan Post Network is the company within the Japan Post Group that deals with post office businesses and functions.

In keeping with our stated goal of “ensuring that post offices continue to be appreciated by the public,” Japan Post Network is maintaining the level of its nationwide post office network to provide fundamentally crucial products and services centered on postal, banking and insurance services—the core business of post offices—that can more closely respond to the diverse needs of our customers. These services are provided at post offices under consignment from other Japan Post Group companies and are an integral part of people’s lives.

Japan Post Network will offer products and services transparently through readily available post office networks, aiming to contribute to “helping customers lead a better and more comfortable life at present and in the future” and realize excellent management so that customers and consignors will use Japan Post Network’s services over the long term.

1. Japan Post Group Postal Counter Operations

■ Counter operations of the three core businesses

- Postal counter operations: Under consignment from Japan Post Service, we accept and handle postal and Yu-Pack items and sell postage stamps and postcards as well as revenue stamps.
- Savings counter operations: Under consignment from Japan Post Bank, we handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts.
- Insurance counter operations: Under consignment from Japan Post Insurance, we solicit life insurance and handle premium payments.

■ Strengthen Sales in Our Three Core Businesses

Post offices serve as points of contact between customers and Japan Post Group companies. We strengthened our sales in the three core businesses of postal, banking and insurance services by taking such measures as holding the Spring and Fall *Arigatou-Fair* and implementing other types of campaigns.

- Postal: We set up new displays and featured packaged products that were both appealing and easy to purchase by customers. We also made efforts to ensure that customers continue to use specialty product Yu-Pack services as well as to gain new customers for this service by strengthening collaboration with Japan Post Service.
- Savings: From April 2009 we started handling the *Yucho Nenkin Teiki* and *Yucho Tokimeki Kurabu* services, for persons who automatically receive benefit payments from public pensions through a Japan Post Bank account. In addition, we implemented a number of campaigns, such as the offering of premium interest rates on deposits during the summer and winter salary bonus seasons.
- Insurance: We launched a commemorative campaign celebrating

the first anniversary of the hospitalization rider *Sono hi kara*, (from June to August 2009), and worked to boost awareness of our product brand through media exposure on television and other means.

■ New establishment of investment trust agency offices

Japan Post Network engages in sales of investment trusts on behalf of Japan Post Bank at 1,319 handling offices. From June 2009, in addition to these handling offices a total of 267 Investment Trust Referral Offices were newly opened, in order to provide information to customers about asset management and investment trusts, as well as to introduce them to handling offices.

TOPICS

Arigatou-Fair Expresses Our Thanks

We conducted a Spring *Arigatou-Fair* (customer appreciation fair) from March through April 2010. Customers buying eligible products and services at nationwide post offices and branches of Japan Post Group companies during this period participated in a draw to receive a variety of prizes for a total of 100,000 customers. The same fair has been held every year since the spring of 2008 and is received favorably by customers each year.

The customer appreciation fair is held to emphasize that post offices provide great convenience by offering all the postal, banking and insurance services and merchandise of Japan Post Group companies as well as to express our appreciation to customers for their patronage.



2010 Spring *Arigatou-Fair* Poster

2010 Spring *Arigatou-Fair* commercial, *Zettai Atetai* version (I want to win)

■ Enhancement and Strengthening of Efforts to Prevent the Recurrence of Criminal Activity Internal Controls

Given the consecutive occurrence of long-term and large-scale appropriation of funds at Japan Post Network, in December 2009 we received a supervisory order from the Ministry of Internal Affairs and Communications concerning efforts to prevent the recurrence of criminal activity. We also received a business improvement order from the Kanto Finance Bureau on the same day.

We take these measures with the utmost seriousness and will make efforts to ensure that a recurrence does not take place. In addition, we are working to enhance and strengthen our internal control structure.

2. Providing New Products and Services

To respond to the diversified needs of customers and to upgrade the one-stop functions of post offices, we are successively offering new products and services. We handle a variety of new financial products, which include the sale of individual variable annuities, third-sector insurance products, Commissioned sales of corporate insurance products and automobile insurance. We are also involved in a catalog sales business in which we serve as an intermediary for sales of products listed in catalogs and on flyers placed in post offices. Other services include the handling of work for local public entities such as delivering official certification documents as well as providing comprehensive referral services for home security and moving.

We are also establishing new businesses that make use of our real estate holdings as well as undertaking an advertising business utilizing extra space at post offices.

■ Addition of New Menu to Post Office Referrals

We added a new referrals menu to our Post Office Referrals, a comprehensive lifestyle referral service. In September 2009 we added the postal rate meter to the menu of services, bringing the total number of referral services provided by post offices nationwide to six. In some regions we also launched a referral service for the establishment of solar power generation.

As a comprehensive lifestyle support company, Japan Post Network aims to provide referral menus for all kinds of lifestyle-related services.



■ Implementation of Cargo Collection Service Using Four-Wheeled Mini Vehicles

From March 2009, in order to respond to customer needs for post office cargo collection, we deployed four-wheeled mini vehicles at 17 post offices, with which we are providing cargo collection services for special products and items, etc.



■ Expanding the Number of Post Offices Handling New Financial Services

In order that more customers can use our various new financial products, we are expanding the number of post offices handling these services in a sequential manner. In July 2009 we expanded the number of post offices handling sales of Commissioned sales of corporate insurance products from 55 to 124. At the same time we expanded the number of post offices handling third-sector insurance products from 300 to 1,000, and the number of post offices handling automobile insurance from 303 to 600.

In addition, with regard to life insurance products for companies (for management-level personnel) in addition to the level term life insurance that is already on sale, we also launched sales of an increasing term life insurance product.

■ First Implementation of Tourism Promotions for Local Governments at Post Offices

In June 2009, at 450 post offices in the Kanto, Kansai and Central Japan regions a tourism publicity campaign for Toyama Prefecture was implemented under the title of Panorama *Kito-kito* Welcome to Toyama. For this campaign the participating post offices displayed posters and pamphlets of Toyama Prefecture and showed a tourism-related video on monitors in the post offices. Other additional tourism publicity campaigns were implemented, including the featuring of an advertisement for Toyama Prefecture in the free post office magazine *Moyorino*.

The tourism publicity campaign for Toyama Prefecture was the first time that post offices were used by a local government for such a purpose. In the future we will continue to ensure that the post office network, which is rooted in local communities, works to support the vitalization of communities in cooperation with all local governments.



■ Launch of Sales of Posta Collect

In June 2009 we launched sales of our Posta Collect series of original mail-related products at all post offices nationwide, including writing paper, envelopes and pens and pencils, etc. This is the first time for original mail-related products to be sold at directly operated post offices. The products are also on sale at certain contracted post offices.

■ Sales of In print New Year's Postcards and New Year's money envelopes for New Year Monetary gift

From November 2009 to January 2010 we sold In print New Year's Postcards, on which various greetings and designs are printed, as well as money envelopes at directly operated post offices nationwide.

These In print New Year's Postcards were placed on limited sale in the Tokyo and southern Kanto area in the previous fiscal year and as they proved to be popular we expanded sales nationwide.

3. Products and Services

(As of July 1, 2010)

Post offices engage in provision of postal (refer to p.32-35), deposit (refer to p.44-46), and insurance (refer to p.53-55) products and services. In addition, post offices provide various types of new products and services that contribute to "helping customers lead a better and more comfortable life at present and in the future."

1. Products and Services of the Three Core Businesses

(1) Postal counter operations

Under consignment from Japan Post Service, we accept and handle postal and Yu-Pack items and sell postage stamps and postcards as well as revenue stamps. For details, please refer to p.30-31.

(2) Savings counter operations

Under consignment from Japan Post Bank, we handle ordinary deposits, TEIGAKU deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts. For details, please refer to p.42-43.

(3) Insurance counter operations

Under consignment from Japan Post Insurance, we solicit life insurance and handle premium payments. For details, please refer to p.51.

(2) Implementation of Post Office Referrals Comprehensive Lifestyle Referral Services

We are implementing Post Office Referrals, a comprehensive lifestyle referral service, including moving services, mobile phones, house cleaning, optic fiber connection and home security, at all nationwide post offices as well as through a dedicated phone line.

*Some referral services may not be available at certain post offices.



2. Providing Services that Support People's Lives

(1) Working with Local Governments

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

(As of March 31, 2010)

Services	Prefectures	Municipalities	Post offices
1. Office certification documents	0	155	597
2. Other services	1	105	3,424
(1) Sales	0	98	1,342
a. Multiple-ride bus tickets	0	24	238
b. Trash collection certificates	0	32	748
c. Sewage treatment certificates	0	7	32
d. Tickets to events	0	18	184
e. Merchandise certificates	0	0	0
f. Trash collection bags	0	50	353
(2) Distribution services (issuance of bus tickets, etc.)	0	9	1,356
(3) Receipt of application forms for using public facilities.	1	2	1,233
Total	1	239	3,958

Note: figures for "2. Other services," "2 (1) Sales" and "Total" exclude multiple use by the same person.

(3) Sales of Catalog Products (Furusato Parcel Service)

We offer a number of catalog services, including the *furusato* parcel service, which allows customers to order desired products from catalogs listing specialty products from all regions of Japan or leaflets that feature products specific to a certain area, and to have these products delivered directly from the regions where they are produced through Yu-Pack service. There is also a regular order service for *furusato* parcels, so that once a month customers can enjoy the flavors and tastes of the regions of Japan. We continually review catalog product lineups as we strive to introduce customers to even better products.



(4) Development of Post Office Mail-Order Shops

The post office mail-order shop is a shopping site on the Japan Post Network website.

There is an assorted lineup of products that can be sent as mid-year and year-end gifts, such as *furusato* parcel specialty products, which are sent directly from the supplier, as well as frame stamps and other items.



(5) Implementation of Total Printing Service

We implement a Total Printing Service on the post office mail-order shop site. The service enables customers to print greeting cards and business cards in addition to New Year's postcards.



3. Responding to Customers' Various Needs

(1) Sales of Third-Sector Insurance Products

In order to respond to needs for healthcare coverage, which have been rising in years, we sell third-sector insurance at 1,000 post offices.

(Products Handled)

●Aflac's Cancer Forte (underwriter: Aflac (American Family Life Assurance Company of Columbus))

Aflac's Cancer Forte provides a lump-sum payment when diagnosed with cancer (diagnosis benefit) and also pays hospitalization and surgery benefits when hospitalization and surgery are required. These benefits cover advanced medical treatments for cancer.

●Tayoreru YOU (underwriter: Sumitomo Life Insurance Company)

This whole life medical insurance (medical insurance with eased underwriting conditions) allows for the enrollment of persons with pre-existing conditions (diabetes, hypertension, etc.) who are not accepted under traditional health insurance (insurance providing benefits for hospitalization or injury or when undergoing prescribed surgery).



(2) Sales of Variable Annuity Sales

In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 166 post offices.

(Products Handled)

- *Yu Yu Tsumitate Nenkin* (underwriter: Alico (American Life Insurance Company) Japan)
- *Shiawase Teikibin* (underwriter: Mitsui Sumitomo MetLife Insurance Co.)

(3) Sales of Life Insurance for Companies (for Management-Level Personnel)

In order to respond to a variety of needs of executives, such as needs for retirement benefit-related measures, business insurance, business succession and inheritance countermeasures, we sell life insurance for companies (for management-level personnel) at 124 post offices.

* Products handled vary depending on the handling post office.

(Products Handled)

- **Level term life insurance** ● **Increasing term life insurance**
(underwriters: ING Life Insurance Company, Ltd., Alico (American Life Insurance Company) Japan, Sumitomo Life Insurance Company, Tokio Marine & Nichido Life Insurance Co., Ltd., Nippon Life Insurance Company, Mitsui Sumitomo Kirameki Life Insurance Company, Ltd., Meiji Yasuda Life Insurance Company)

* Sumitomo Life Insurance Company only underwrites level term insurance.

(4) Sales of Automobile Insurance

As a non-life insurance agency, we have been handling post office automobile insurance since October 2007 in cooperation with seven non-life insurance companies. From July 2009 sales have been expanded to 600 post offices.

(Products Handled)

- **Post Office Automobile Insurance**
(seven underwriters: Aioi Insurance Co., Ltd., AIU Insurance Company, Sampo Japan Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., NIPPONKOA Insurance Co., Ltd. and Mitsui Sumitomo Insurance Co., Ltd.)

This insurance provides three types of basic coverage, namely compensation and liability coverage, personal coverage of the insured and vehicle coverage in addition to combining seven types of support services ranging from accident-prevention support to support after an accident. Premium rates are set depending on the purpose of the vehicle usage and the category (color) of the driver's license held.

(5) Sales of Frame Stamps

In response to requests from customers to sell stamps that use photographs, we provide a service for creating and selling original frame stamps for our customers. We also engage in sales of frame stamps for limited periods. In the future we intend to sell various types of new and original frame stamps.



4. Promoting the Effective Use of Post Offices

(1) Product Sales Utilizing Space at Post Offices

In order to improve convenience for customers who use post offices, from June 2009 we have been selling mail-related items such as letter paper, envelopes and pens and pencils at all nationwide post offices as well as at certain contracted post offices.

In addition, from September 2009 we started sales of *Gotochi* Form Cards, which enable non-standard sized mail items to be sent.



Gotochi Form Card (Tokyo)



Gotochi Form Card (Yamaguchi Prefecture)

(2) Deployment of JP LAWSON Stores

In cooperation with LAWSON, INC., small convenience store-type outlets called JP LAWSON stores are being deployed. These are stores that operate inside an area within a post office, and they have a line-up of mail-related products, including standard items as well as post office character goods (Posties) and mail box shaped piggy banks. Through the JP LAWSON stores our aim is to improve convenience for customers who visit post offices and customers living in the vicinity of post offices.



JP LAWSON (Shibuya, Tokyo)

TOPICS

"Posties" – Characters for the Japan Post Group

"Popock," "Kimick" and "Belrick" symbolize the brands of the Japan Post Network and Japan Post Group with their various individual characteristics. The Posties have the following characteristics: Popock is responsible for the delivery of important mail items, Kimick runs a flower shop and nurtures flowers and plants, and Belrick is a lively athlete who hopes that everyone is always fit and well.



(3) Implementation of Advertising Business

Japan Post Network implements its advertising business by deploying extra space at post offices and using its nationwide network of post offices to place advertisements by companies and local governments. Using post offices as a medium, we have a menu of options available for corporate publicity and promotions, including such activities as placing advertisers' posters and pamphlets in post office lobbies, distributing advertisers' sample products at service counters, posting advertisements in an information magazine published by Japan Post Network and holding events inside post offices.



Event held in Aichi Prefecture

(4) Collection of Used Ink Cartridges

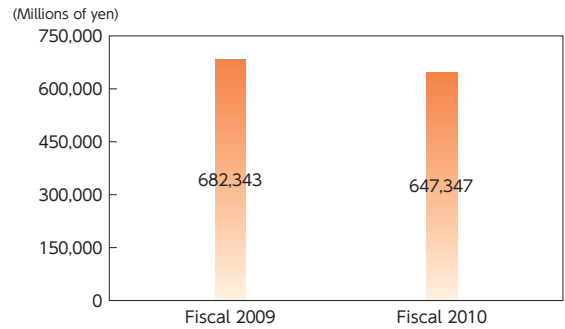
We started the "ink cartridge *satogaeri* project" for collecting used ink cartridges with the cooperation of six printer manufacturers. As of March 2010, collection boxes were placed in 3,639 major post offices (refer to p.78).



4. Japan Post Network Business Performance

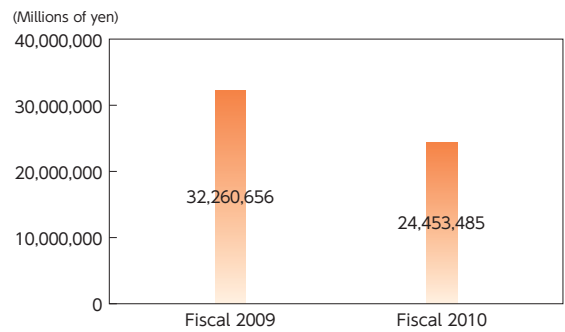
1 Postal Operating Revenues

Of the services such as mail and Yu-Pack provided by Japan Post Service, total sales handled through Japan Post Network are as follows.



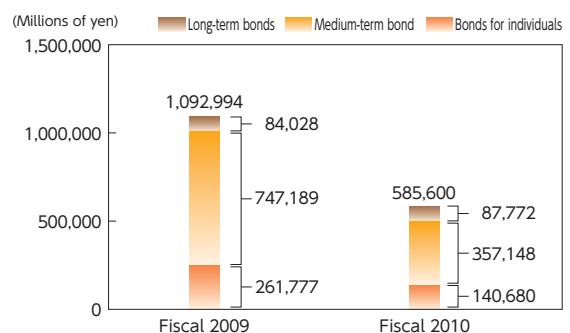
2 TEIGAKU and Time Deposits Handled

Of the *TEIGAKU* and Time Deposits provided by Japan Post Bank, the funds newly deposited by customers through the Japan Post Network are as follows.



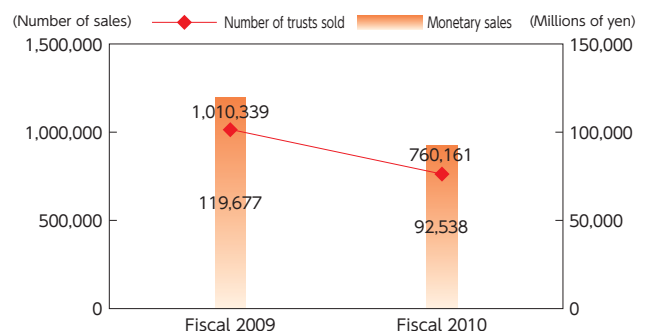
3 Sales of Japanese Government Bonds

Of the Japanese government bonds sold by Japan Post Bank, total sales handled through the Japan Post Network are as follows.



4 Investment Trust Sales

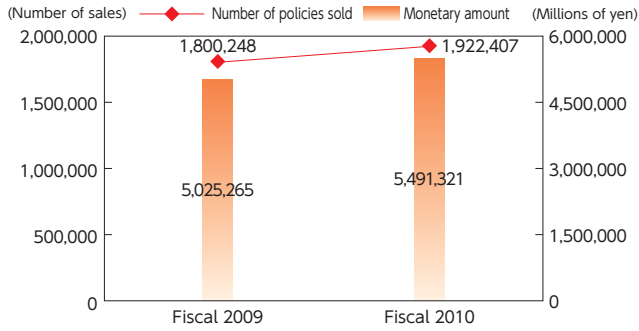
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post Network are as follows.



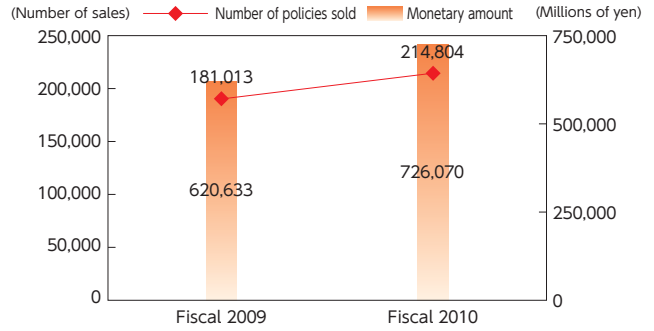
5 Life Insurance and Annuity Sales

Of the life insurance and annuity products sold by Japan Post Insurance, total sales handled through Japan Post Network are as follows.

Individual Insurance

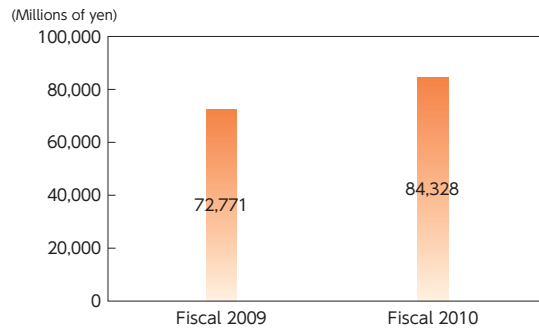


Individual Annuities



6 Merchandise Business

The sales of products and services sold through merchandise businesses such as catalog sales of Japan Post Network are as follows.



2. Operations of Japan Post Service

1. Overview of Operations

Japan Post Service is responsible for the postal and parcel delivery operations of the Japan Post Group. In addition to operating 1,091 branches and 2,541 collection and delivery centers (as of March 31, 2010), Japan Post Service has commissioned Japan Post Network to handle mail and sell postage stamps, postcards and revenue stamps at approximately 24,000 post offices throughout Japan. Besides providing 188,000 post boxes throughout the country, Japan Post Service has also commissioned the sale of various postage stamps and revenue stamps at approximately 144,000 locations in Japan (as of March 31, 2010).

Through this network, Japan Post Service delivers approximately 68 million pieces of mail daily to around 32 million homes and businesses throughout Japan (fiscal 2009 figures). In fiscal 2010, Japan Post Service delivered around 20,580 million postal items, around 260 million Yu-Pack items and around 2,540 million Yu-Mail items.

While maintaining universal postal service, Japan Post Service is striving to create a "network that conscientiously connects people, businesses, and society" by providing communications that enable the public to feel secure, and certain and speedy logistics functions.

1. Postal and Domestic Distribution Business

Under the Postal Services Privatization Act, Japan Post Service impartially provides universal postal services at the lowest possible rates as well as Yu-Pack, Yu-Mail and other logistics services. In addition to domestic postal services, Japan Post Service also provides international postal services (mail, parcel and EMS*) in accordance with the Universal Postal Convention and other international postal agreements. Japan Post Service is also commissioned by the Japanese government to sell revenue stamps.

In response to the one-stop outsourcing needs of business customers, subsidiaries such as JP Biz Mail Co., Ltd. provide contracted one-stop total services that range from mail planning and preparation (printing) to mail insertions, sealing and sending.

*EMS: Express Mail Service

■ New Services and Products

From April 2009 Japan Post Service launched an ID confirmation delivery service conveying specific details at its branches nationwide. This service allows Japan Post Service to convey specific details about the receiver to the sender after the receiver's identity has been confirmed and delivery has been completed. In addition, we also eliminated the commission fees charge on cash-on-delivery Yu-Pack services.

In February 2010 we launched our Web *Yubin* service for sending mails using the Internet. The launch of this service has made it possible to use the Letax* service via the Internet or over the telephone. In addition, the number of designs for the mat boards used to send Letax messages was increased, with the five existing designs being supplemented by four new types each for congratulatory or condolence messages (pressed flowers, embroidery, textile, and lacquer-style). As a result, it is now possible to use Letax in a wider variety of situations.

In addition, Letax items with a specified delivery date can now be delivered at a desired time of day (morning or afternoon), and a tracking service is now provided so that customers can check on the delivery status of their Letax items (limited to items sent using the internet or telephone service).

*Letax lets customers create a personal message using a special mat board specifically for this service. Letax items are accepted by Japan Post Network and Japan Post Service office counters, and delivered by Japan Post Service.

From April 2010 we launched the LETTERPACK500 and LETTERPACK350 services that enable correspondence and other items to be sent nationwide at a flat rate.



LETTERPACK350

LETTERPACK500

■ Activities for 2010 New Year's Postcards

In the previous fiscal year a variety of new products were issued with the aim of promoting a "desire to send New Year's postcards", based on the main theme that they are gifts that enrich the heart of and give joy to the sender." This campaign was well received, and this year we expanded the range of Disney character New Year's postcards and *Irodori* (colored) New Year's postcards.

In addition, we upgraded our dedicated website for New Year's postcards (*Yubin Nenga.jp*), which features a variety of information about buying, understanding, creating and sending New Year's postcards, including more than 1,000 templates and parts that can be downloaded free of charge.

We also continued to sell carbon offset New Year's postcards as a measure to support global warming prevention projects with the goal of helping achieve the 6% reduction in Japan's greenhouse gas emissions as prescribed in the Kyoto Protocol.

The number of mail-sorting machines was increased to facilitate delivery of as many New Year's postcards as possible on January 1, in addition to gaining our customers' cooperation in posting their postcards by December 25. As a result, we were able to deliver 2.088 billion items on January 1, a figure similar to the previous year's level, although the total volume of mail accepted during the New Year period fell.



■ Comprehensive Alliance with Nissen Co., Ltd.

In March 2010 Japan Post Service and Nissen Co., Ltd. concluded a comprehensive partnership agreement. Under this agreement, logistics operations for Nissen's mail order products have been consigned to Japan Post Service since April 2010. The two companies are pushing forward with a comprehensive examination of how their corporate infrastructures can be effectively utilized to produce synergies for further expanding business opportunities through the sharing of information and expertise.

■ Planned integration of parcel delivery operations

Japan Post Service Co. and Nippon Express Co. planned to integrate their parcel delivery operations through the joint establishment of JP Express Co., Ltd. However, as this plan could not be carried out, both companies finally agreed to dissolve JP Express Co., Ltd. The latter's parcel delivery operations, including its assets, were taken over by Japan Post Service Co. on 1st July 2010. JP Express Co., Ltd. is scheduled to be liquidated by the end of this year. The services provided by JP Express Co., Ltd. are being continued by Japan Post Service Co., which intends to capitalize on the resultant advantages to improve its parcel delivery services.

■ Measures Relating to Air Safety

In response to incidents in August and November 2009 involving Yu-Pack parcels containing items stipulated as dangerous for air transportation, the Ministry of Land, Infrastructure, Transport and Tourism issued improvement guidance concerning safety measures for air freight and a business improvement order based upon the Cargo Forwarder Service Law.

Japan Post Service has implemented thoroughgoing measures to ensure that such incidents do not recur in the future. These include thorough confirmation of the names and external packaging with regard to dangerous items at the time of parcel acceptance at post offices and at the time of sorting at air freight forwarding offices, as well as the establishment of an air freight safety system and creation of an in-house safety manual, in addition to improvements made to the safety inspection system.

Furthermore, we inform our customers that if parcel labels do not include the details of the contents or only refer to the contents in general terms, such as "daily-use goods or miscellaneous goods," it may not be possible to transport such parcels by air mail, which could result in delayed delivery.

2. International Logistics Business

In response to expanding needs for international logistics, we are developing a new international logistics business in our cargo sector, in addition to our existing international mail services. Through JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd. (JPSGL), which was established in July 2008 as a joint venture with Sankyu Inc., we are providing a wide range of international logistics services, primarily between Japan and China and other areas of Asia, where there are significant freight needs, as well as services to countries and cities around the world, ranging from small to large-lot cargo.

The Japan Post Group is also working through JPSGL to support international logistics for the Japan Industry Pavilion at the 2010 Shanghai Expo, that opened in May 2010.



3. Logistics Business

We are deploying our logistics business in response to recent logistics outsourcing needs. Upon being consigned by client companies, we provide our third party logistics (3PL) services in an integrated manner, from optimized logistics plans to the building and operation of logistics systems, as well as the provision of consulting services relating to logistics improvements.

Among the consignments secured in 2009 were one for logistics operations from a large confectionary manufacturer in October and one from a regional department store in November. A consignment was received in December from a liquor sales company to provide international logistics for delivering its products to Europe. In this way, we provide the optimal logistics services to meet the diverse needs of our client companies.

TOPICS

Organized the Direct Marketing Forum 2010

This participatory learning forum, featuring lectures by specialists in various fields, was held in Tokyo on January 26, 2010 and in Osaka on February 2, 2010. It is designed to assist people in boosting their careers in direct marketing and in gaining the latest information, as well as to provide a better understanding of business solutions and industry trends. A total of approximately 2,000 persons attended the two forum sessions, including persons involved in corporate marketing and corporate PR and sales promotion.



Eugene R. Raitt, Chairman of the Direct Marketing Association (DMA) of the United States, gave a lecture at the forum.

2. Products and Services

(As of July 1, 2010)

1. Stamps and Postcards

Products	Description/Features
Ordinary stamps	Standard lineup of postage stamps.
Special stamps	Stamps issued for a special purpose, such as to commemorate an important national event in Japan or a significant campaign in Japan or another country.
Furusato stamps	Stamps issued to stimulate interest in specific regions of Japan using regional themes.
New Year's postal stamps with donations	These lottery stamps allow individuals who use their own New Year's postcards and letters to participate in the New Year's postcard lottery. There are two types: one for postcards and one for letters.
Frame stamps	These are frame like stamps with original photographs and other design elements to be printed in the stamps, which can be ordered using the Internet or at a post office.
Greeting stamps	Stamps with designs for use with greetings involving specific events.
Standard postcards	In addition to the postage mark featuring a house sparrow, other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
New Year's postcards (New Year's lottery postcards)	These postcards are available in a standard plain format and with a donation added.
Summer greeting postcard (Kamo-Mail)	Postcards for summer greetings are available with standard postage and with a donation added.
Carbon offset postcards	We issue carbon offset New Year's postcards and carbon offset summer greeting postcards with donations. Donations are used for global warming prevention projects with the goal of helping achieve the 6% reduction in Japan's greenhouse gas emissions as prescribed in the Kyoto Protocol.
e-sense cards	Sold for ¥50, these stylish postcards incorporate an illustration or picture provided by a company using the back of the card as advertising space.
Echo-postcards	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5, to ¥45.
Inkjet printing standard postcards	Postcards with a special coating that allows the tiny dots of inkjet printers to dry quickly, permitting the postcards to be used for printing photographs, pictures and other colorful images.
Reply-paid postcards with no fold	The absence of a fold allows these postcards to be easily used with a printer or copier. These postcards are useful for printing large numbers of invitations to parties, sales events, exhibitions and other events.
Four-surface printing postcards	With four postcards in a single sheet, these postcards are useful for situations where a large number of postcards need to be printed.
Postcards with indentations	These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can tell the front and back and top and bottom of a postcard.
Picture postcards	Picture postcards featuring famous scenery and other sights from all over Japan.
International postcards	These postcards are used for international air mail and have the same rate for every foreign country.
Mini-letters (Postal envelopes)	These sheets, in which writing space is three times the size of a postcard, are a combined letter and an envelope. Postage is printed on the front just as with a postcard. Items can be enclosed up to the limit of 25 g.
LETTERPACK500 (Specified postage-paid envelope, with recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items can be sent nationwide for a flat rate (¥500). As the recipient must sign or provide their seal to receive the package, it offers a secure way to send items by post.
LETTERPACK350 (Specified postage-paid envelope, without recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items that do not exceed 3cm in depth can be sent nationwide for a flat rate (¥350). This item is placed in the recipient's mail box and is therefore useful for persons who are not often at home to receive mail items.
Aerogrammes	The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 g. Writing space is three times the size of a postcard and postage is printed on the front. Air-mail postage is cheaper (¥90 for anywhere in the world).
Letter-writing sets	A package of frequently used stamps and postcards.
Stamp booklets	Stamp booklets have a cover and contain several stamps or several dozen stamps, with an accompanying explanation of each stamp.



Special stamps/Furusato stamps



LETTERPACK500



LETTERPACK350



Stamp booklets

2. Standard Mail Services

Services	Description/Features
First-class mail (Daiisshu yubin)	This category includes letters and is divided into standard-size items of a certain size and weight and nonstandard-size items. This category also includes "mini-letters."
Second-class mail (Dainisshu yubin)	This is the category for postcards. There are two categories: standard postcards and reply-paid postcards.
Third-class mail (Daisanshu yubin)	Newspapers, magazines and other periodicals issued at least four times each year and that have been approved by Japan Post Service. This includes third-class mail, which has discounted rates, and covers a portion of newspapers published three or more times monthly or publications containing one-day's content that are mailed by a publisher, seller or organization. Third-class mail at a discounted rate is also available for organizations for persons with disabilities that have the aim of promoting the welfare of persons with disabilities.
Fourth-class mail (Daiyonshu yubin)	A reduced-rate or free postage category for materials associated with public service or welfare. Examples include correspondence education materials, Braille materials, special recordings, plants and seeds, and academic publications.

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

Services	Description/Features
Yu-Pack	Yu-Pack is a domestic delivery service for sending small lightweight parcels having three dimensions totaling less than 170 cm and weighing less than 30 kg, with the receiver's address listed on an attached invoice. The Yu-Pack service offers a host of benefits and conveniences. The Yu-Pack service offers a host of benefits and conveniences. These include discounts for parcels brought to post offices, volume discounts for 10 or more parcels, forwarding to a second address when no one is at the primary address, notice of completed delivery service, same-day redelivery and specified time delivery service.
Refrigerated Yu-Pack	A safe and reliable way to transport fresh produce and other goods that must be refrigerated.
Airport Yu-Pack	An easy and inexpensive way for travelers to ship their luggage to and from an airport. Luggage can be picked up at a designated counter at the airport. There is a reduction available for using the service on both outbound and inbound journeys.
Golf and Ski Yu-Pack	Golf and ski equipment is delivered to a hotel or other location by the day prior to the customer's arrival or back to the customer's home. There is a reduction available for using the service on both outbound and inbound journeys.
EXPACK500	With this special envelope it is possible to send an item nationwide for a flat rate of ¥500. Stamps are not required and it is not necessary to calculate postage. This item can also be posted in a post box. *Sales of EXPACK envelopes were terminated in March 2010. EXPACK envelopes purchased prior to March 2010 can still be used as normal.
Pos Packet	A convenient service for sending small and light items anywhere in Japan at a basic flat rate of ¥350. Delivery confirmation is available for an additional fee. Packets can be dropped in any post box.
Yu-Mail (booklet parcels)	A service for sending books and other publications at a lower cost than with Yu-Pack. No prior procedure is needed. Simply drop in any post box.
Town Plus (Yu-Mail for designated delivery area)	A service for delivering Yu-Mail to all homes and businesses within a particular neighborhood.
Yu-Mail for persons with disabilities	Yu-Mail for materials sent between libraries and persons with severe physical or mental disabilities.
Braille Yu-Pack	Used to send Braille materials.
Yu-Pack for the hearing impaired	Used to send videotapes for hearing-impaired individuals. Available for tapes sent between facilities approved by Japan Post Service and eligible recipients.



Yu-Pack package (large box)



Yu-Pack package (small box)



Yu-Pack package (large pouch)







Yu-Pack package (small pouch)



Pos Packet

4. Major Supplementary Services

Services	Description/Features
Express mail (Sokutatsu)	The fastest form of delivery, in which mail receives priority over other mail and parcels in the same class (excluding Yu-Pack).
Overnight mail "Morning 10" 	Delivers all mail received before the acceptance deadline by 10:00 the following morning.
New special express mail (Shin tokkyu yubin)	Delivers mail received around morning time by approximately 17:00 the same day.
Registered mail (Kakitome)	Letters and parcels are tracked from acceptance to delivery (excluding Yu-Pack). If the item is damaged or does not reach its destination, the sender will be reimbursed for the actual loss based on the amount submitted when the item was sent (excluding Yu-Pack). There are three types: cash registered mail, ordinary registered mail and simplified registered mail (discounted postage).
Security mail	This service provides compensation for loss up to ¥500,000, in the event that a Yu-Pack is damaged or lost.
Acceptance-recorded mail (Tokutei kiroku yubin)	A service for registering the acceptance and delivery of mail and parcels.
Recorded delivery mail (Kofu kiroku yubin)	This is a service provided for a flat-rate of ¥500, using a specified postage-paid envelope, which records the delivery of the items in the specified envelope.
ID confirmation delivery service (Honjin gentei uketori yubin)	This service provides delivery of mail and parcels only to a person whose name is listed on the mail or parcel. There are three types of service: basic, special-case and conveying specific details.
Cash on Delivery (Daikin hikikae yubin)	The recipient pays the designated amount upon receipt of the letter or parcel. The amount due is paid to the sender using a Japan Post Bank transfer or ordinary transfer.
Delivery date-specified mail (Haitatsu-bi shitei yubin)	The letter or parcel is delivered on the day specified by the sender (excluding Yu-Pack).
Letax 	This service provides quick delivery of greetings such as condolence and congratulatory messages. Senders can choose their favorite design, including mat board, depending on the situation. It is possible to apply online via the Internet (Web Letax, Web Sokutatsu), or by telephone (Telephone Letax).
Computer mail 	The sender submits the recipient's name, address, electronic message, and other data. Japan Post Service performs everything from printing to placing the messages in envelopes so they can be delivered nationwide using standard mail. It is possible to apply online via the Internet (Web Letter).
e-content certificate 	A service for using the Internet to conveniently send mail that requires certification of the contents; available on a 24-hour basis.
Certification services	Receipt time certification is for certifying the time a letter or parcel (excluding Yu-Pack) sent as registered mail was received. Delivery certification certifies the delivery of a letter or parcel (excluding Yu-Pack) sent as registered mail. Certification forms (which are verified by postal certification officers) state the date, sender and recipient, and contents of the letter or parcel, with certification by Japan Post Service.

5. Other Services

Services	Description/Features
Forwarding service	When an individual relocates, mail is forwarded to the new address for one year at no charge. In addition to submitting an application using relocation forms, which are available at branches and post offices, a service is available for submitting applications via the Internet. For online service, access http://welcometown.post.japanpost.jp and fill in required items according to the instructions. Additionally, the status of applications can be checked online after submittal.
Requests for alteration of address and withdrawal of mail	When a sender realizes there was a mistaken entry for the sender or address after sending a letter or parcel, a request for change of recipient or return of the item can be submitted (a fee may be required).
Stamp and postcard exchanges	Postage stamps, non-usable postcards due to mistaken entries and other unneeded stamps and postcards can be exchanged for new ordinary stamps and postcards by paying the prescribed fee. Exchanges are not possible for soiled or damaged stamps and postcards and for postal envelopes where the printed postage stamp rate is soiled or damaged.
Free exchange of lottery number postcards, etc.	New Year's postcards and stamps with lottery numbers that cannot be used due to the death of a close relative can be exchanged for ordinary postcards at no cost. Lottery postcards purchased by mistake and that can be resold can be exchanged at no cost for another type of lottery postcard for the same year.

6. International Mail

Services	Description/Features
EMS (Express Mail Service)	Letters and parcels are given the highest priority from the time of receipt through delivery. Status of delivery can be confirmed. (Note)
EMS delivery time guaranteed service (time certain service)	Provides a guarantee for delivery time for EMS mail sent from Tokyo or Osaka to five countries/regions (China, Hong Kong, Singapore, South Korea, Taiwan)
International parcels	Available in three types: small air parcels where speed is the priority, small surface (sea) parcels where low cost is the priority and economy air mail (SAL) small parcels that combine speed and low cost. (Note)
Printed matter	A low-cost international mail service for periodicals, catalogs, direct marketing materials, business documents and other printed materials. Can be sent as air mail, surface mail or economy air mail (SAL).
Small packet	Service for sending parcels up to 2 kg to overseas destinations. Less expensive than EMS or international small parcels. Can be sent as air mail, surface mail or economy air mail (SAL).
D-mail, P-mail	A special rate is available when mailing 500 or more pre-sorted printed materials by a single sender that has been approved by Japan Post Service.
International business reply service (IBRS)	The recipient of international mail in Japan pays for the postage rather than the sender.

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



Shipping labels for EMS (Documents)



Shipping labels for EMS (Merchandise)



EMS package



EMS envelope

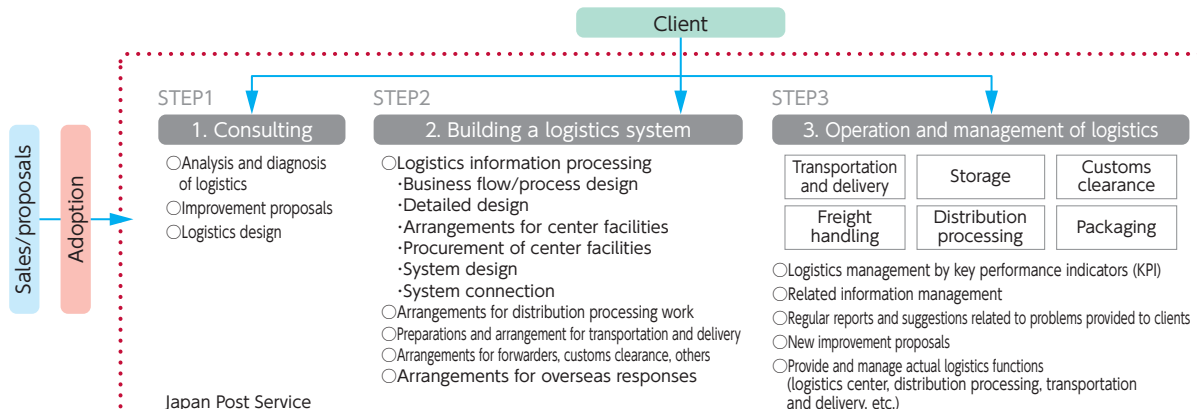
7. Logistics Services

Services	Description/Features
Consulting	We analyze the logistics of companies engaged in shipping from the perspective of their current cost and quality situations and identify key issues and problems, and then make improvement proposals that include specific methods for building logistic systems.
Logistics information processing	We provide information systems for areas of logistics as such warehouse management and transport management.
Transportation	We handle point-to-point movements of freight in accordance with the mode of transportation being used, including truck, ship, air, rail and other types of transportation.
Storage	We store freight for certain time periods at a fixed location under proper management that includes maintaining quality and volume.
Freight handling	We load and unload, transport, stow, discharge, sort and organize freight during the logistics process.
Distribution processing	We handle such simple processing and assembly tasks as bagging, packaging, attaching labels, performing inspections and attaching price tags during the product distribution process.
Packaging	We protect freight using appropriate materials and containers to maintain the value and condition of the freight during freight transportation, storage, handling and usage.

Logistics business services (operations)

The specific operations of Japan Post Service's logistics business (3PL) are

1) providing consulting related to logistics improvements, 2) offering detailed design and building logistics systems based on one-stop consigned logistics, and 3) carrying out actual operational management under consignment after building a new logistics system.



3. Japan Post Service Business Performance

1 Consigned Volume of Mail in Fiscal 2010

(Unit: 1,000 items, %)

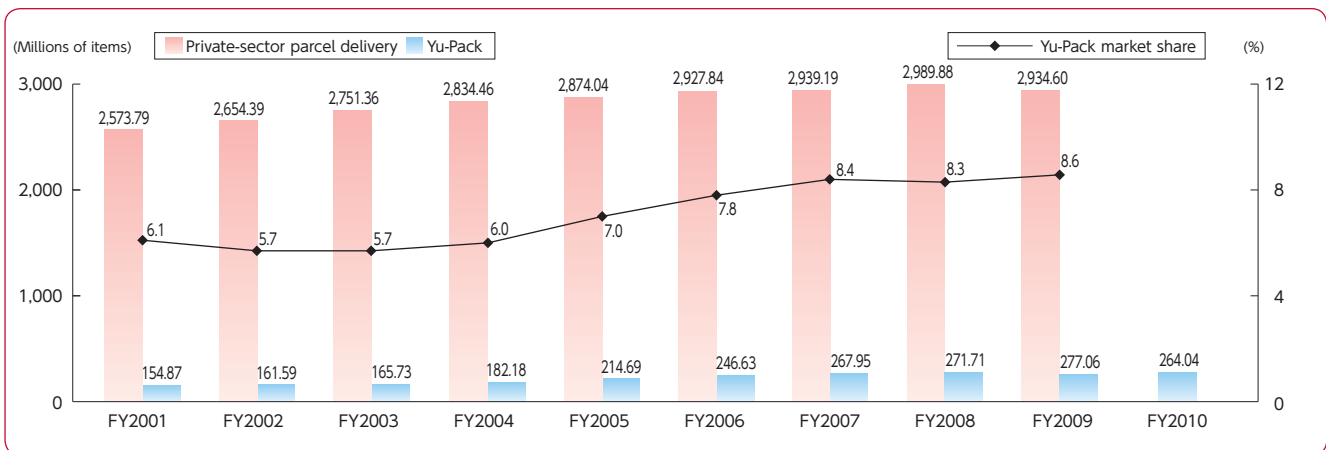
Category	Fiscal 2009		Fiscal 2010	
	Volume (thousand items)	Year-on-year change (%)	Volume (thousand items)	Year-on-year change (%)
Total	23,929,935	(2.4)	23,387,415	(2.3)
Mail	21,227,985	(3.5)	20,582,749	(3.0)
Domestic	21,158,740	(3.5)	20,521,443	(3.0)
Standard mail	20,587,495	(3.4)	20,054,205	(2.6)
First-class	10,332,283	(3.7)	9,915,441	(4.0)
Second-class	6,867,688	(1.1)	6,851,784	(0.2)
Third-class	449,705	(15.6)	346,552	(22.9)
Fourth-class	25,785	(6.1)	24,930	(3.3)
New Year's postcards	2,900,641	(2.7)	2,856,016	(1.5)
Election mail	11,393	(88.9)	59,481	422.1
Special mail	571,245	(5.4)	467,238	(18.2)
International	69,245	(4.8)	61,306	(11.5)
Standard mail	57,835	(4.9)	50,543	(12.6)
Parcels	1,567	(0.1)	1,531	(2.3)
EMS	9,843	(4.6)	9,233	(6.2)
Parcels	2,701,950	6.9	2,804,666	3.8
Yu-Pack	277,057	2.0	264,035	(4.7)
Yu-Mail	2,424,893	7.5	2,540,631	4.8

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

2 Total Consigned Volume of Mail

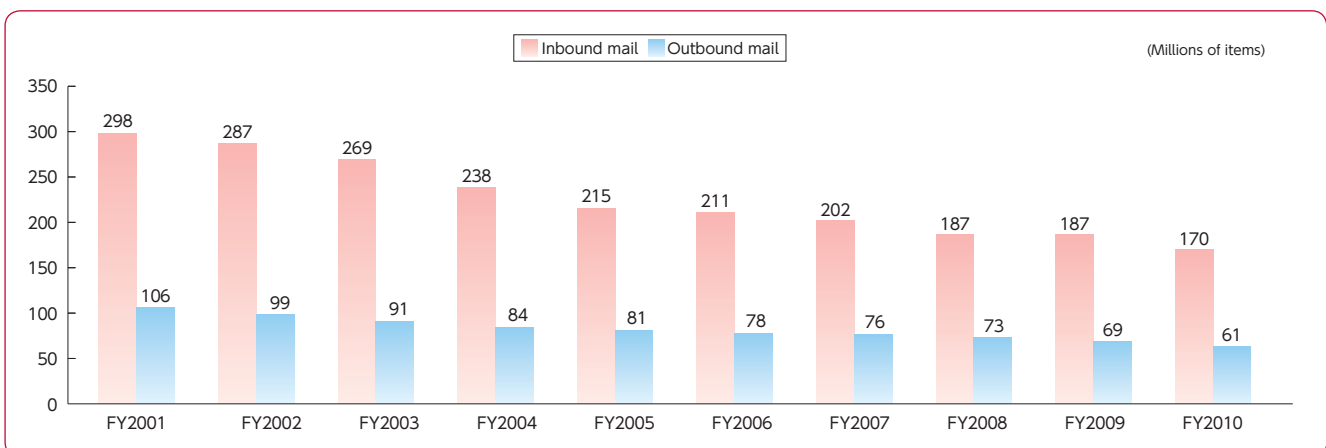


3 Yu-Pack and Private-Sector Parcel Delivery Volume and Market Share



Note: Fiscal 2010 private-sector parcel delivery volume has not yet been announced (as of June 30, 2010).

4 Volume of International Mail



5 Daily Mail Delivery Volume and Points

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

Note: No survey for fiscal 2010 has been implemented.

6 Postal Service Quality Survey (Days to Arrival)

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

All branch offices display a Postal Delivery Time Table (Service

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

Survey results in fiscal 2010 were as follows.

■ Nationwide Achievement Rate of Average Days to Delivery

	Fiscal 2009	Change (FY2008 results in parenthesis)	Fiscal 2010	Change (FY2009 results in parenthesis)
Nationwide average	98.3%	0.5% (97.8%)	98.5%	0.2% (98.3%)
For mail within the same prefecture	98.6%	0.3% (98.3%)	98.7%	0.1% (98.6%)
For mail to a neighboring prefecture	97.8%	0.8% (97.0%)	98.2%	0.4% (97.8%)
For mail to other prefectures	98.1%	0.7% (97.4%)	98.3%	0.2% (98.1%)

7 Outsourced Operations

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

■ Documental Stamp Sales

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

(Millions of yen)

Category	Fiscal 2009	Fiscal 2010
Revenue stamps	¥ 803,307	¥ 771,644
Automobile weight tax documental stamps	1,121,981	996,348
Unemployment insurance documental stamps	506	452
Health insurance documental stamps	2,912	2,656
Patent documental stamps	126,493	101,638
Registration documental stamps	65,590	53,273
Total	¥ 2,120,789	¥ 1,926,011

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

8 Outsourcing

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

■ Outsourcing of Transport of Postal Materials, etc.

The following table shows the status for the outsourcing of the collection, transport and delivery operations to transport companies and other parties as prescribed in the Law for Outsourcing Postal Material Transport (1949 Law No. 284).

(Millions of yen)

Category	Fiscal 2009	Fiscal 2010
Collection, delivery and transport outsourcing expenses	¥ 146,024	¥ 148,192

Note: Collection, delivery and transport expenses include expenses paid for the outsourcing of the collection, transport and delivery of postal materials, etc., to transport companies, etc. In addition, these expenses include miscellaneous expenses for the outsourcing of the collection, transport and delivery of postal materials, etc., such as the cost of renting the collection and delivery worksite, expressway tolls and other items.

■ Outsourcing of Sale of Postage Stamps, etc.

The following table shows the status of outsourcing of the sale of postage stamps, etc., as prescribed in the Law Concerning Locations for the Sale of Postage Stamps (1949 Law No. 91).

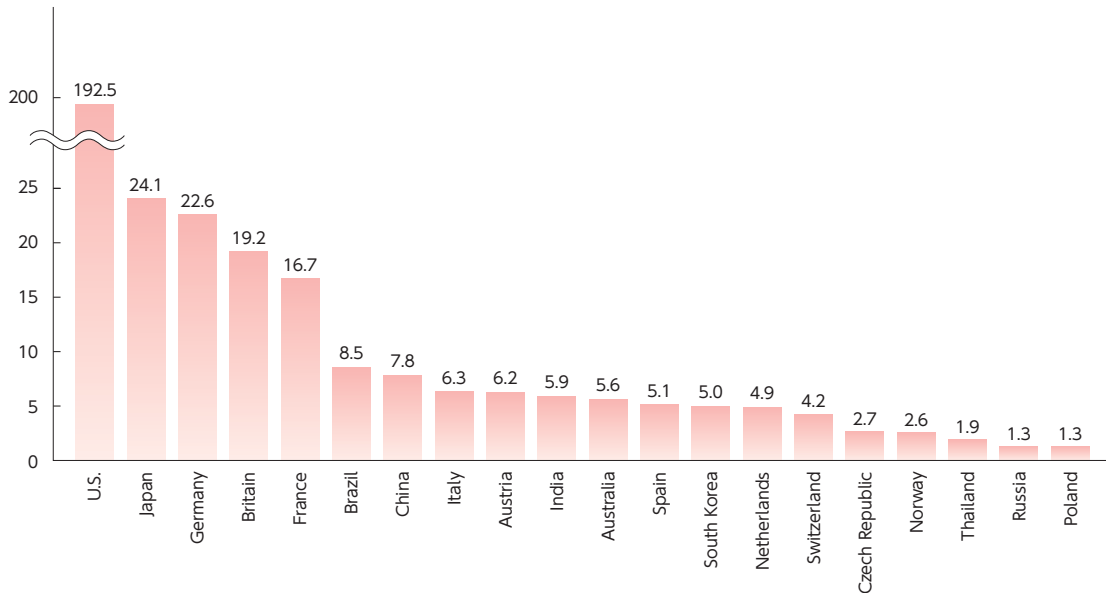
(Millions of yen)

Category	Fiscal 2009	Fiscal 2010
Fees paid to locations selling postage stamps	¥ 23,571	¥ 22,067

Reference: Postal Services in Other Countries

1. Volume of Mail Received (Top 20 Countries in 2008)

(Billions of items)



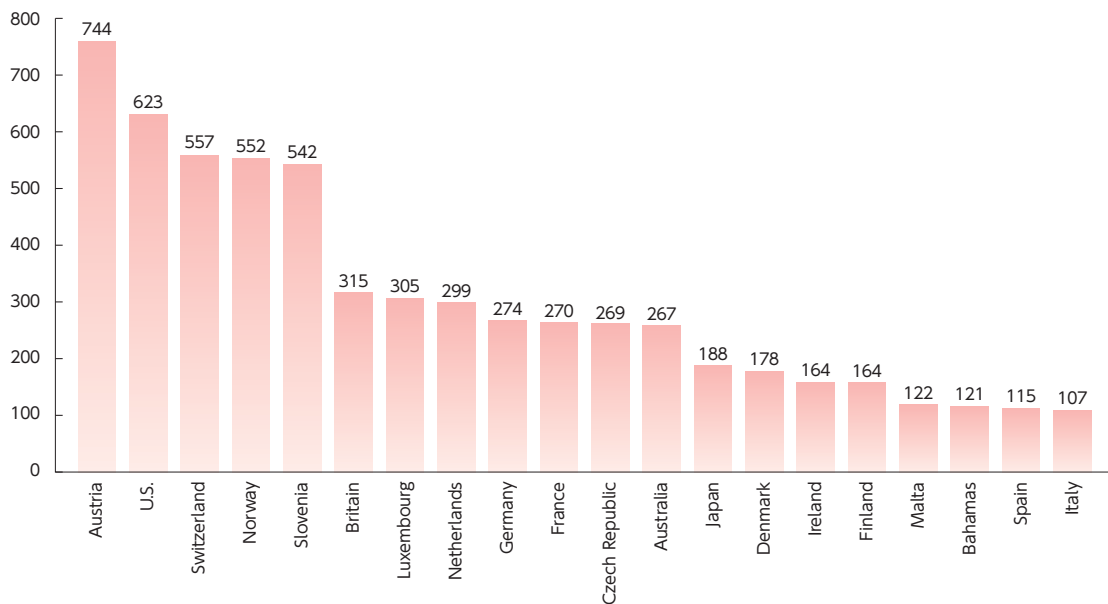
Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2008).

2. "Mail volume" is the total for all domestic and international (dispatched) ordinary and express mail, parcels and insured mail items.

3. As the publication of mail volume figures and classifications differ by country, the totals here are only for the publicized volumes, which are ranked in order.

2. Annual Mail Volume Per Capita (Top 20 Countries in 2008)

(Items per person)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2008).

2. "Mail volume" is the total for all domestic and international (dispatched) ordinary and express mail, parcels and insured mail items.

3. As the publication of mail volume figures and classifications differ by country, the totals here are only for the publicized volumes, which are ranked in order.

Reference: International Comparison of Postage Rates

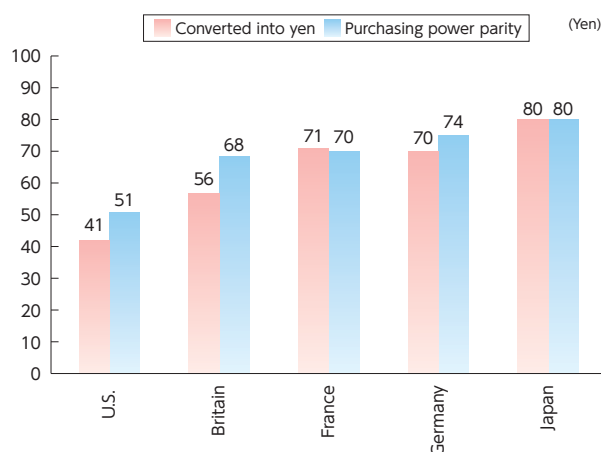
■ Comparison of Domestic Postage Rates

Based on the conversion of foreign postage rates into yen, domestic postage rates in Japan are generally at around the same level as major European countries (Britain, France, Germany) for letters. Postcard rates are lower in Japan.

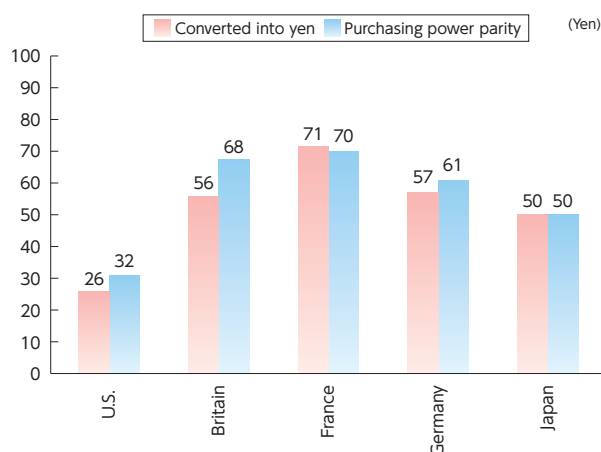
In the United States, postage rates for both domestic letters and postcards are lower than in Japan. The reason is that the volumes of mail handled in the United States are approximately eight times greater than in Japan (the amount of mail sent per capita is roughly threefold higher), thereby resulting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

■ Comparison of Domestic Letter and Postcard Postage Rates in Selected Countries

● Letter rate



● Postcard rate



	U.S.	Britain	France	Germany	Japan
Currency	\$0.44	£0.39	€0.56	€0.55	¥80
Yen equivalent	¥41	¥56	¥71	¥70	¥80
Purchasing power parity	¥51	¥68	¥70	¥74	¥80

Notes: 1. Only Japanese postage rates include consumption tax.
2. Yen conversions use the exchange rate as of March 31, 2010 (Bank of Tokyo-Mitsubishi UFJ TTS rate).
3. Purchasing power parities use exchange rates that make price levels equal in Japan and the other countries. Calculations are based on Purchasing Power Parities (2009 average OECD Main Economic Indicators).

	U.S.	Britain	France	Germany	Japan
Currency	\$0.28	£0.39	€0.56	€0.45	¥50
Yen equivalent	¥26	¥56	¥71	¥57	¥50
Purchasing power parity	¥32	¥68	¥70	¥61	¥50

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥94.04	¥114.98
£1 (Britain)	¥144.40	¥173.84
€1 (France)	¥126.42	¥125.43
€1 (Germany)	¥126.42	¥134.52

■ Comparison of International (Air) Postage Rates

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

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

	Air mail letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	-	¥110	-	¥70
U.S. to Japan	\$0.98	¥92	\$0.98	¥90
Britain to Japan	£1.35	¥195	£0.62	¥90
France to Japan	€1.70	¥215	€0.85	¥107
Germany to Japan	€2.20	¥278	€1.00	¥126

Note: Yen conversions use the exchange rate as of March 31, 2010 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

3. Operations of Japan Post Bank

1. Overview of Operations

Japan Post Bank undertakes the banking business within the Japan Post Group.

The company provides an assortment of services including deposits, fund transfers, and settlement services through an extensive network consisting of 24,000 facilities nationwide, including branches as well as post offices that serve as agents. Japan Post Bank is dedicated to serving as “the most convenient and dependable bank in Japan,” with operations that are guided by the needs and desires of its customers.

1. Retail products and services

(1) Basic services

Post offices nationwide and Japan Post Bank branches offer basic financial products and services that include such liquid deposits in the form of ordinary deposits and savings deposits; time and savings deposits such as time deposits and *TEIGAKU* deposits; and transfer and settlement services that include fund transfers and remittances. Although deposits at Japan Post Bank are no longer covered by government payment guarantees following privatization, principal of up to ¥10 million in addition to interest are guaranteed through a deposit insurance scheme. At the end of March 2010, Japan Post Bank’s total deposits from customers in Japan amounted to ¥175 trillion. As additional services, Japan Post Bank also pays benefits from public pensions, sells Japanese government bonds and investment trusts, offers home loan and other intermediary services, and operates a credit card business.

*The Management Organization for Postal Savings and Postal Life Insurance manages time deposits established prior to privatization. However, Japan Post Bank is commissioned by that organization to handle withdrawals and other transactions. These transactions can therefore be carried out at post offices and Japan Post Bank branches.

(2) Enhancing products and services

During fiscal 2010, we began offering the following new products and services:

●Began offering *Yucho Nenkin Teiki* and *Yucho Tokimeki Kurabu*.

We began offering *Yucho Nenkin Teiki* in April 2009 for customers who elect to have public pensions automatically transferred into a Japan Post Bank Co., Ltd., account.

Yucho Nenkin Teiki provides preferential interest rates for standard time deposits (term: one year).

Customers making *Yucho Nenkin Teiki* deposits can be automatically enrolled in the *Yucho Tokimeki Kurabu* (which entails no membership or annual fees) to receive a variety of benefits.



●Began offering the *Yucho IC Cash Card Suica*.

In April 2009, we added the *Yucho IC Cash Card Suica* to our line of *Yucho IC Cash Cards*.

In March 2010, we expanded the number of branches offering this card (from about 6,200 branches to about 7,300 branches) and began accepting applications at Japan Post Bank branches and post office postal deposit counters in Miyagi Prefecture, Fukushima Prefecture, Ibaraki Prefecture, Tochigi Prefecture, Saitama Prefecture, Chiba Prefecture, Tokyo, Kanagawa Prefecture, Niigata Prefecture, Yamanashi Prefecture, and Shizuoka Prefecture.

In addition to serving as a cash card for Japan Post Bank, this convenient card can be used as an IC ticket for rail and bus service as well as to make purchases at stores displaying the Suica mark.



●Added new *Yucho Direct* services.

In May 2009, we added new services to *Yucho Direct* (our online banking service), including the ability to make *TEIGAKU* deposits and time deposits used as collateral*, initiate up to five free electronic transfers (between Japan Post Bank accounts) per month, transfer funds to other financial institutions, verify account deposit and withdrawal transactions over a longer period of time, and receive email notification of deposits.

We also began accepting applications for “Japan Post Bank Deposits for International Aid” and requests to change the organizations to which funds are donated* in January 2010 by means of simple procedures that can be followed at home for individuals who don’t have time to visit a branch.

*Available through *Yucho Direct* only (Internet service).

●Enhanced line of investment trust products.

In March 2010, we began offering four new products through *Toshin Direct* (an Internet transaction service). We have consistently expanded the scope of our products in this area in response to customer needs since launching five products representing three types of investment trust at 575 post offices nationwide in October 2005 (operating as Japan Post). This latest launch brings the total to 20 products representing 13 types of investment trust, further expanding the range of choice available to our customers.

TOPICS

Held "Catch Your Dreams" promotional campaign.

We held a "Catch Your Dreams" promotional campaign using professional soccer player Yuji Nakazawa as a spokesman through the nationwide network of Japan Post Bank branches and post offices. The campaign offered original design certificates and merchandise in connection with use of Japan Post Bank products and services as well as a chance to win a trip to the 2010 FIFA World Cup in South Africa.



A television ad for the promotional campaign

(3) Enhancing and strengthening internal management systems

Japan Post Bank Co., Ltd., and Japan Post Network Co., Ltd., a partner to which we outsource certain business operations, received a business improvement order from the Financial Services Agency in December 2009 in response to a series of embezzlement cases involving large sums of money over an extended period of time.

We take this measure very seriously and are working to enhance and strengthen our internal management systems.

2. Investment

Interest income, primarily from investment in Japanese government bonds, carries a large amount of weight in our current earnings structure. For this reason, we are working to secure stable periodical income while implementing appropriate control of interest risk. Additionally, we are striving to increase earnings by dispersing risk and diversifying sources of revenue by pursuing more diverse investment methods.

In terms of risk management, we use five categories to classify managed risks, and we're working to develop more sophisticated methods of measuring and managing risk based on the characteristics of particular risks.

■Controlling interest risk

In addition to appropriately managing the duration of managed assets based on liabilities (procured funds) such as deposits received from customers and a range of plausible interest scenarios, we strive to secure a stable interest spread between assets and liabilities, which is our principal source of revenue, by hedging certain interest rate risk with interest rate swaps.

■Diversifying investment methods

We're working to disperse risk and diversify sources of revenue through measures such as investing in local government bonds, corporate bonds, and bonds issued by foreign entities; participating in syndicated loans (joint financing); and managing investment trusts.

3. Community service

Japan Post Bank considers corporate social responsibility (CSR) to be a management issue of the highest priority, and we are committed to fulfilling that responsibility by continuing to strive to be "the most convenient and dependable bank in Japan." Specifically, we're pursuing a CSR program founded on the three imperatives of maintaining pleasant business circumstances for customers and employees, serving as a responsible corporate citizen, and pursuing environmental activities.

TOPICS

Special support for Go tournament.

With the aims of supporting children with great promise, fostering exchange among generations, and activating local communities, Japan Post Bank provides special support for a Go tournament for children.

Starting with the 13th tournament in fiscal 2010, Japan Post Bank supports the Junior Go Grand Master tournament, which determines the number one amateur Go player who is junior high school age or younger.

About 3,000 children across Japan participated in this tournament in the year under review.






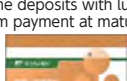
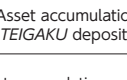
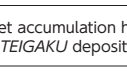
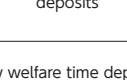

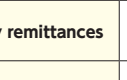


At the 13th Junior Go Grand Master tournament

2. Products and Services

(As of July 1, 2010)

1. Deposits

Product or service		Description	Time period/unit of deposit	
Liquid deposits	Ordinary deposits 	These deposits are useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and annuities, and many other purposes.	Unlimited deposits and withdrawals ¥1 or more ¥1 unit	
	Ordinary savings deposits 	These deposits provide more beneficial interest rates than ordinary deposits for balances of ¥100,000 or higher.	Unlimited deposits and withdrawals ¥1 or more ¥1 unit	
Time and savings deposits	TEIGAKU deposits 	These deposits can be withdrawn at any time after six months and held for up to 10 years, with interest compounded semiannually. The initial interest rate is applicable until withdrawal.	Deferment period: Six months (unlimited withdrawals after this period) ¥1,000 or more ¥1,000 unit (Eight types: Deposits of ¥1,000, ¥5,000, ¥10,000, ¥50,000, ¥100,000, ¥500,000, ¥1 million, and ¥3 million)	
	Time deposits 	These deposits have maturities that can be selected based on short-term and medium-term requirements for funds and personal needs. The extension procedure is simplified if automatic extensions are selected, making this deposit convenient for people with busy schedules.	Deposit periods: One month, three months, six months, one year, two years, three years, four years, and five years (excluding one-month deposits that serve as collateral) ¥1,000 or more ¥1,000 unit	
	Accumulation-type deposits	Automatic-accumulation TEIGAKU deposits/time deposits 	For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a TEIGAKU deposit or time deposit. These automatic-accumulation deposits also allow funds to be deposited only in specifically designated months up to six times per year. Funds deposited in specifically designated months can also be combined with funds deposited regularly every month.	Accumulation period: Six years or less ¥1,000 or more ¥1,000 unit
		Time deposits with lump-sum payment at maturity 	For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a TEIGAKU deposit or time deposit. At a pre-designated date (date for receiving a lump-sum payment at maturity), the accumulated deposits are transferred to an ordinary deposit. This type of deposit allows systematic accumulations in accordance with a person's future goals.	Accumulation period: From one year up to three years ¥1,000 or more ¥1,000 unit
	Asset accumulation	Asset accumulation TEIGAKU deposits 	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for three years or longer to help working people build assets.	Duration: Three years or more ¥1,000 or more ¥1,000 unit
		Asset accumulation pension TEIGAKU deposits 	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to help working people live comfortable lives in retirement. Interest is tax exempt and can be received from age 60 based on a pension-type payout method.	Duration: Five years or more ¥1,000 or more ¥1,000 unit
		Asset accumulation home TEIGAKU deposits 	This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to accumulate funds for building, purchasing, or renovating a home. Interest is tax exempt.	Duration: Five years or more ¥1,000 or more ¥1,000 unit
	Others	Yucho pension time deposits 	This one-year time deposit with preferential interest rates is designed for persons who automatically receive benefit payments from public pensions through Japan Post Bank, persons who will begin to automatically receive benefit payments from public pensions through Japan Post Bank, and foreign residents of Japan aged 65 or older who do not qualify for benefits under a public pension scheme.	Deposit period: One year ¥1,000 or more ¥1,000 unit
New welfare time deposits 		This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor, and other similar public pensions. Up to ¥3 million can be deposited.	Deposit period: One year From ¥1,000 up to ¥3 million ¥1,000 unit	

2. Domestic Remittances

Product or service	Description
Remittances	Remittances provide a simple and low-cost method for sending money anywhere in Japan. There are two types: ordinary remittances and postal orders (TEIGAKU KOGAWASE).
Ordinary remittances	Ordinary remittances allow cash to be exchanged for a money order that is sent to the recipient payee. The payee can then bring the certificate to a nearby Japan Post Bank branch of post office postal deposit counter and exchange the money order for cash.
Postal orders	The mechanisms for these remittances are the same as for ordinary remittances. However, postal orders offer lower fees and convenience when remitting small amounts. There are 12 types of money orders for postal orders in denominations of ¥50, ¥100, ¥150, ¥200, ¥250, ¥300, ¥350, ¥400, ¥450, ¥500, ¥750, and ¥1,000.
Fund transfers	Fund transfers provide an easy and reliable means of sending money by using a transfer account. In-payment and out-payment can be handled normally or by electronic transfer for urgent transfers.
In-payment	In-payment remittances by persons not holding a transfer account can be sent to persons holding transfer accounts (account holders).
Electronic transfers	Persons holding a transfer account (account holders) can send deposits in the transfer account to a transfer account held by another person.
Transfers	Persons holding a transfer account (account holders) can transfer funds to persons holding a savings account at another financial institution.
Out-payment	Persons holding a transfer account (account holders) can send funds to persons not holding a transfer account.

3. International Remittances

Product or service	Description
Payment to address	The remittance amount and charge are paid in cash, and a money order or other document is delivered to the payee's address. The payee can then cash the money order or other document at a local post office. For remittances to the United States, the remitter must send the money order to the payee.
Payment to account	The remittance amount and charge are paid in cash, and the remittance amount is transferred to an overseas payee's bank or postal <i>giro</i> (postal transfer) account.
Account transfer	The remittance amount and charge are deducted from the remitter's integrated account or <i>giro</i> account, and the remittance amount is transferred to an overseas payee's bank or postal <i>giro</i> account.

4. Individual Loans

Product or service	Description
Loan intermediary service	Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans, and card loans offered by Suruga Bank Ltd. based on an alliance with this bank. Customers can apply for these loans at select Japan Post branches, by telephone, or via the Internet.
Yume Butai home loan	This line features 16 types of home loans matched to the lifestyle of each individual, including persons operating sole proprietorships, working women, and seniors thinking ahead to the retirement stage of their lives. These home loans can be used for building a new home, expanding and renovating an existing home, moving to a new home, and refinancing.
Yume Koro free loan	This line of loans is available in two types: a "purpose" type and a "parental-devotion" type. The "purpose" type is offered in seven plans that are matched to the particular life stage of each person, including education, automobile, and renovation plans. The "purpose" type loan is available in amounts of up to ¥5 million, and the "parental-devotion" type up to ¥10 million.
Shitaku Card Loan	This card loan requires no repayment account, while borrowing and repayment can be made directly from ATMs. No collateral is needed, and loans of up to ¥5 million are available (¥3 million for the first application).

5. Investment Products

Product or service	Description
Japanese government bonds (JGBs)	Sales of JGBs to be sold under the new OTC system (two-, five-, and ten-year maturities) and nonmarketable JGBs for individual investors (three- and five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds
Investment trusts	Sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions
Variable annuities	Intermediary services for sales of insurance products such as variable annuities

■ Customer seminars to assist in asset accumulation

In addition to holding seminars on investment trusts and variable annuities, including such topics as the investment environment, investment awareness, and investment reporting, we offer a variety of seminars such as large-scale sessions with outside economic analysts and other experts, "culture school" type seminars, and hands-on seminars utilizing portfolio games in order to provide useful information for new asset accumulation and asset management by customers. Customer seminars, which are held at Japan Post Bank branches and post offices nationwide, provide a valuable opportunity to listen to explanations from financial experts, and they are consistently attended by large customer audiences. For more information about upcoming seminars, visit the Japan Post Bank website.



A customer seminar

6. Credit and Debit Cards

Product or service	Description
Credit cards (JP BANK CARD)	Japan Post Bank issues the JP BANK CARD, which is both an ATM card and a credit card (available in three types: VISA, MasterCard, and JCB). We also offer family cards, ETC cards, WAON cards*1, PiTaPa cards*1, iD (cell phone) cards*1, and QUICPay*2 (card and mobile). *1 VISA and MasterCard only. *2 JCB only.
Debit cards	After customers scan their debit card using a dedicated terminal and enter a personal identification number at such locations as retail electronics stores and supermarkets, purchase amounts are immediately debited from their general account (subject to an upper limit).



JP BANK VISA Card



JP BANK MasterCard



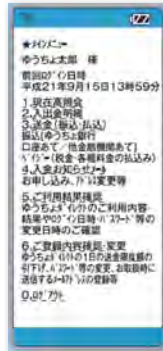
JP BANK JCB Card

7. Internet Banking Services

Product or service	Description
Yucho Direct (Internet, mobile phone, and telephone banking services)	This service allows customers to use a PC, mobile phone, telephone, or facsimile machine to make deposits to <i>TEIGAKU</i> deposits and time deposits used as collateral, initiate electronic transfers (between Japan Post Bank accounts), transfer funds to another financial institution, and verify account deposit and withdrawal transactions.
Yucho Pay-Easy Service	This service enables taxes and various types of fees to be paid through ATMs and <i>Yucho Direct</i> (Internet and mobile phone banking services). The service also immediately reports data concerning completed payments to the recipient financial institution.
Toshin (investment trust) Direct	We sell investment trusts via the Internet (PCs).



Yucho Direct
(Internet banking services)



Yucho Direct
(Mobile phone banking services)



Toshin Direct
(Providing information for investment trusts)

8. Other Services

Product or service	Description
"Japan Post Bank Deposits for International Aid"	"Japan Post Bank Deposits for International Aid" sets aside 20% of interest received on ordinary deposits and ordinary savings (after-tax) for use as contributions toward improving daily living, reducing poverty, and protecting the environment in developing countries and regions. These contributions are made via the Japan International Cooperation Agency (JICA) Donation Fund for the People of the World.
ATM/CD alliance	ATM cards and other eligible cards issued by affiliated financial institutions can be used at Japan Post Bank ATMs, and vice versa.
Foreign currency exchange	Exchange services are offered for eight currencies: the U.S. dollar, Chinese yuan, Canadian dollar, British pound sterling, South Korean won, Australian dollar, Swiss franc, and euro. (The Chinese yuan can be exchanged only at certain outlets.)
Traveler's checks	Traveler's checks are available in six currencies: the U.S. dollar, Canadian dollar, British pound sterling, Australian dollar, euro and Japanese yen.
Payment of benefits from pensions and other types of assistance	Japan Post Bank handles the payment of benefits from various pensions and assistance schemes that include the payment of benefits from pensions, senior welfare pensions, national pensions, employees' pensions, mariners' insurance pensions, workers' compensation pension insurance, cover pensions, child-rearing allowances, special child-rearing allowances, and mutual aid pensions. Japan Post Bank also provides payments from registered bonds and annual payouts (national tax refunds).
Collection of fees for public utility and other service payments	Japan Post Bank collects various types of payments. These include payments for national taxes (personal income and corporate taxes); local taxes (local inhabitant taxes and fixed-property taxes); various types of pensions; health insurance (national health insurance, employee health insurance); public housing fees; public utility and service fees such as electricity, gas, water, and NHK public televisions fees; traffic violation fines; and radio utilization fees.

Notes: 1) Payments received from various types of pensions are paid by automatic deposit into the customer's ordinary deposit account.
2) Some payments and public utility fees are paid automatically through withdrawals from the customer's ordinary deposit account.

9. Services Available in Braille

Product or service	Description
Ordinary deposit statement	Customers receive by mail a Braille statement once or twice each month listing deposits, withdrawals, utility payments, account balances, and other information. For deposit passbooks, we can attach a Braille sticker showing the type of deposit (and a sticker with the individual's name for passbook storage envelopes).
Time deposit and <i>TEIGAKU</i> deposit terms	With a deposit certificate, we provide a Braille document that explains the time deposit's contract terms. We can attach a Braille seal to the deposit certificate showing the type of deposit (and a sticker with the individual's name for certificate storage envelopes). For loans secured by time deposits and other deposits, we provide a Braille document explaining the terms of the loan. In addition, upon maturity of the deposit, we send the customer a Braille notice of the maturity date and the amount that will be received.
Notice of account transfers	Each time a payment is made to or from an account, we send a Braille notice of the amount received or paid to the account holder. However, this does not include the name of the individual who has sent the money.
Use of ATMs	Japan Post Bank ATMs have Braille instructions and Braille keyboards, allowing visually impaired customers to use ATMs with a sense of reassurance. Furthermore, customers can use the built-in telephone receiver or connect their own earphones to receive instructions and get information such as remittance and account balances.
Braille ATM card	Customers can ask for an ATM card with their name printed in Braille as well as a separate Braille explanation of how the card can be used.
Product and service pamphlets in Braille	Customers can receive Braille pamphlets explaining products and services at any Japan Post Bank branch or postal savings counters at post offices. Customers can ask for these pamphlets when using products and services. These publications are also available at Braille libraries.

3. Japan Post Bank Business Performance

1 Key Financial Indicators

(Millions of yen)

	Fiscal 2009	Fiscal 2010
Revenue	¥2,488,552	¥2,207,942
Operating profit (before provision for [reversal of] general reserve for possible loan losses)	480,602	489,157
Net operating profit	480,602	489,032
Net ordinary income	385,243	494,252
Net income	229,363	296,758
Common stock	3,500,000	3,500,000
Shares outstanding (thousands of shares)	150,000	150,000
Net assets	8,179,574	8,839,547
Total assets	196,480,796	194,678,352
Deposits	177,479,840	175,797,715
Loans	4,031,587	4,022,547
Securities	173,551,137	178,230,687
Capital adequacy ratio (non-consolidated, domestic standard)	92.09%	91.62%
Dividend payout ratio	24.98%	24.96%
Employees	11,675	12,060

Notes:

- Deposits are as defined by the corresponding liability item in the Ordinance for Enforcement of Banking Act.
- The balance of deposits including accrued interest for the current period is ¥176,468,699 million. (¥178,050,017 million for fiscal 2009).
- The capital adequacy ratio is calculated based on standards stipulated by Article 14-2 of the Banking Act (Financial Services Agency Notification No. 19, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. Japan Post Bank adheres to capital adequacy standards applicable in Japan.
- The number of employees excludes Japan Post Bank employees assigned to other companies by Japan Post Bank but includes employees assigned to Japan Post Bank by other companies. The figures do not include short-term contract and part-time employees.

2 Balances by Type of Deposit

1. At End of Fiscal Period

(Millions of yen, %)

		March 31, 2009		March 31, 2010	
		Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	59,660,898	33.61	57,113,869	32.48
	Transfer deposits	7,269,971	4.09	7,597,731	4.32
	Ordinary deposits and others	51,924,342	29.25	49,087,540	27.92
	Savings deposits	466,585	0.26	428,597	0.24
	Time deposits	117,488,226	66.19	118,381,289	67.33
	Time deposits and others	18,698,993	10.53	27,475,685	15.62
	TEIGAKU deposits and others	98,738,612	55.63	90,891,424	51.7
	Other deposits	330,715	0.18	302,556	0.17
	Sub-total	177,479,840	100.00	175,797,715	100.00
	Negotiable certificates of deposit	—	—	—	—
	Total	177,479,840	100.00	175,797,715	100.00
International operations	Total	—	—	—	—
Total		177,479,840	100.00	175,797,715	100.00

Deposits including accrued interest	178,050,017		176,468,699	
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2. Average Balances

(Millions of yen, %)

		Fiscal 2009		Fiscal 2010	
		Amount	% of total	Amount	% of total
Domestic operations	Liquid deposits	62,009,526	34.53	58,514,727	33.03
	Transfer deposits	7,342,643	4.08	7,480,475	4.22
	Ordinary deposits and others	54,176,865	30.16	50,589,235	28.56
	Savings deposits	490,018	0.27	445,016	0.25
	Time deposits	117,184,987	65.25	118,321,109	66.8
	Time deposits and others	14,715,741	8.19	23,381,719	13.2
	TEIGAKU deposits and others	102,378,999	57.01	94,912,487	53.58
	Other deposits	378,761	0.21	279,331	0.15
	Sub-total	179,573,276	100.00	177,115,167	100.00
	Negotiable certificates of deposit	—	—	—	—
	Total	179,573,276	100.00	177,115,167	100.00
International operations	Total	—	—	—	—
Total		179,573,276	100.00	177,115,167	100.00

Deposits including accrued interest	180,149,837		177,722,433	
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Notes:

- Liquid deposits = Transfer deposits + ordinary deposits + savings deposits
Ordinary deposits and others = Ordinary deposits + special deposits (equivalent to ordinary savings)
- Time deposits = Time deposits and others + TEIGAKU deposits and others + special savings deposits (accumulation postal savings equivalent + housing accumulation postal savings equivalent + education accumulation postal savings equivalent)
Time deposits and others = Time deposits + special savings deposits (time savings equivalent)
TEIGAKU deposits and others = TEIGAKU deposits + special savings deposits (TEIGAKU savings equivalent)
- "Transfer deposits" correspond to current deposits, and "TEIGAKU deposits" correspond to "other deposits" under liabilities as defined by the Ordinance for Enforcement of the Banking Act.
- Special savings deposits are deposits with banks from the Management Organization for Postal Savings and Postal Life Insurance and represent the postal savings of this organization that were passed on to Japan Post Bank from Japan Post.
- Special deposits (equivalent to ordinary postal deposits) are the portion of deposits from the Management Organization for Postal Savings and Postal Life Insurance representing matured postal savings for time deposits, TEIGAKU deposits, accumulation postal savings, housing accumulation postal savings, and education accumulation postal savings that were passed on to this organization from the former Japan Post.

3 Loans by Category

1. At End of Fiscal Period

(Millions of yen)

	March 31, 2009	March 31, 2010
Domestic operations		
Loans on notes	—	—
Loans on deeds	3,790,537	3,749,285
Overdrafts	241,050	238,741
Notes discounted	—	—
Sub-total	4,031,587	3,988,027
International operations		
Loans on deeds	—	34,520
Sub-total	—	34,520
Total	4,031,587	4,022,547

2. Average Balances

(Millions of yen)

	Fiscal 2009	Fiscal 2010
Domestic operations		
Loans on notes	—	—
Loans on deeds	3,573,023	3,716,669
Overdrafts	247,793	233,365
Notes discounted	—	—
Sub-total	3,820,816	3,950,035
International operations		
Loans on deeds	—	27,758
Sub-total	—	27,758
Total	3,820,816	3,977,793

4 Balance by Type of Securities

1. At End of Fiscal Period

(Millions of yen)

	March 31, 2009	March 31, 2010
Domestic operations		
Japanese government bonds	155,490,155	155,891,563
Japanese local government bonds	6,177,212	5,289,202
Commercial paper	542,904	364,959
Japanese corporate bonds	9,880,462	11,916,270
Stocks	900	900
Others	—	—
Total	172,091,634	173,462,895
International operations		
Others	1,459,503	4,767,791
Foreign bonds	1,284,502	3,714,033
Foreign stocks	—	—
Total	1,459,503	4,767,791
Total	173,551,137	178,230,687

2. Average Balances

(Millions of yen)

	Fiscal 2009	Fiscal 2010
Domestic operations		
Japanese government bonds	157,557,897	155,881,773
Japanese local government bonds	6,861,037	5,761,489
Commercial paper	437,789	394,109
Japanese corporate bonds	8,557,389	10,914,713
Stocks	833	900
Others	—	—
Total	173,414,947	172,952,986
International operations		
Others	879,468	2,927,861
Foreign bonds	829,676	2,411,658
Foreign stocks	—	—
Total	879,468	2,927,861
Total	174,294,416	175,880,847

5 Over-the-Counter Sales of Japanese Government Bonds

(Millions of yen)

	Fiscal 2009	Fiscal 2010
Long-term bonds	90,731	94,120
Medium-term bonds	806,190	382,707
Bonds for individuals	285,003	152,949
Total	1,181,926	629,777

6 Domestic Exchanges

(Thousands of remittances, millions of yen)

	Fiscal 2009		Fiscal 2010	
	Remittances	Amount	Remittances	Amount
Sent	1,668	4,215,404	9,994	10,777,302
Received	1,145	1,464,417	12,741	7,482,213

Note:

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

7 Transfer Deposits

(Thousands of remittances, millions of yen)

	Fiscal 2009		Fiscal 2010	
	Remittances	Amount	Remittances	Amount
In-payment	1,236,168	68,146,219	1,215,514	59,349,149
Transfers	87,756	62,125,079	93,288	52,372,599
Out-payment	131,003	67,532,728	130,615	56,384,340

Note: Figures for the period from April 1, 2008, to December 30, 2008, include the aforementioned domestic exchanges.

8 Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

(Thousands of remittances, millions of yen)

	Fiscal 2009		Fiscal 2010	
	Remittances	Amount	Remittances	Amount
Ordinary remittances	4,359	64,312	3,772	59,714
Postal orders (TEIGAKU KOGAWASE)	24,079	11,314	19,647	10,381

9 Foreign Exchanges

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

	Fiscal 2009		Fiscal 2010	
	Remittances	Amount	Remittances	Amount
	427	1,114	402	1,037

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

10 Investment Trust Sales (Contract Basis)

(Thousands of contracts, millions of yen)

	Fiscal 2009	Fiscal 2010
Number of contracts	1,598	1,279
Sales value	171,395	133,885

(Thousands of accounts, millions of yen)

	March 31, 2009	March 31, 2010
Number of investment trust accounts	551	577
Net assets	815,666	980,930

Note: Investment trust sales figures have been rounded off.

11 Other Businesses

Credit Cards

(Thousands of cards)

	Fiscal 2009	Fiscal 2010
Cards issued	376	837

(Thousands of cards)

	Fiscal 2009	Fiscal 2010
Total cards issued (outstanding)	366	1,136

Mortgage Loans

(Millions of yen)

	Fiscal 2009	Fiscal 2010
New loans (as intermediary)	56,247	74,045

(Millions of yen)

	Fiscal 2009	Fiscal 2010
Total new loans (as intermediary)	56,247	130,293

Variable Annuity Policies

(Policies, millions of yen)

	Fiscal 2009	Fiscal 2010
Number of policies	3,786	6,216
Value of policies	17,615	31,359

(Policies, millions of yen)

	Fiscal 2009	Fiscal 2010
Total policies	3,786	10,002
Total value of policies	17,615	48,974

Notes: 1. Japan Post Bank launched the credit card business on May 1, 2008, the mortgage loan intermediary business on May 12, 2008, and the variable annuity business on May 29, 2008.
2. Japan Post Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

4. Operations of Japan Post Insurance

1. Overview of Operations

Japan Post Insurance undertakes the insurance business within the Japan Post Group.

The company provides definitive security through agents (the post offices of Japan Post Network, which has a network of approximately 20,000 directly operated post offices nationwide, and contracted post offices) as well as directly operated sales offices (branches). The management philosophy of Japan Post Insurance is "moving forward with our customers while serving as 'Japan's most familiar and trusted insurance company.'"

1. Provision of Insurance Products and Various Services

Japan Post Insurance carries on the social mission of postal life insurance purported prior to the privatization of Japan Post to "provide basic coverage for the people of Japan with insurance using simple procedures" through the provision of easy-to-understand and easy-to-use products and services developed from a customer standpoint*.

Life insurance contracts with Japan Post Insurance following privatization differ from those prior to privatization in that there is no payment guarantee from the government. As with other life insurance companies in Japan, however, a policyholder protection scheme provides a certain degree of protection.

(1) Agents

Japan Post Insurance uses the post offices of Japan Post Network for the nationwide provision of simple and easy-to-understand products in small amounts and through simple procedures, as well as the provision of associated services. Services primarily target households and individuals.

Japan Post Insurance has established an Agency Relations Division for 80 directly managed sales offices to support sales promotion, training and development, and administrative affairs to help promote sales.

In addition, we work with Japan Post Network to develop products that meet customers' needs, develop new markets and service channels, and upgrade sales processes, taking advantage of our unique characteristics.

(2) Directly managed sales offices

Japan Post Insurance has 80 wholesale divisions in directly managed sales offices, serving all major cities in Japan (in all 47 prefectures as of July 2009). These divisions are responsible for providing products and services primarily to companies and in the workplace, mostly at small and midsize companies.

In order to respond to the needs of our customers, which are becoming more diverse, we monitor market trends, accumulate extensive sales know-how, and build an effective sales framework through this sales and service channel.

*The Management Organization for Postal Savings and Postal Life Insurance manages life insurance taken out prior to the privatization of Japan Post. Japan Post Insurance has been entrusted with administrative affairs by this organization but has outsourced some of those operations to Japan Post Network, allowing premiums to be paid and benefits collected through post office external sales personnel and counter services.

2. Enhancing Products and Services

■ Improving products and services

● Credit and debit cards

In April 2009, Japan Post Insurance began introducing mobile settlement terminals in all branch offices and some post offices and offering the following services as part of an effort to improve customer service and promote cashless transactions:

- Making the first premium payment by credit or debit card
- Setting up a transfer account for paying the second and subsequent premium payments by ATM card



Illustration of a mobile settlement terminal

● Responsibility for costs corresponding to expenses for acquiring medical certificates

In April 2009, we expanded a program offering certain customers a uniform ¥5,000 payment, which corresponds to the cost of acquiring a medical certificate.

Customers meeting certain conditions who filed a benefit or other claim on or after April 1, 2009, were required to submit a medical certificate and other documentation, and were then found during the payment screening process not to be eligible for the benefit are eligible for the payment.

This program reflects our effort to improve customer service by reducing the burden on customers and fostering an environment in which it is easier for customers to file claims for benefits.

TOPICS

Held Japan Post Insurance "Flowers" promotional campaign.

From May 10 to June 30, 2010, we held a "Flowers" promotional campaign as part of a tie-up with the movie *Flowers* at post offices* nationwide. The campaign, which was conceived to encourage customers to come to Japan Post Insurance for advice about insurance, featured the copy, "Japan Post Insurance is ready to help you create your own brilliant story."

We're committed to continuing to provide a place where customers can feel comfortable seeking advice about insurance and acting as a partner to offer customers a sense of peace of mind throughout their lives.

*The campaign was limited to post offices offering insurance services, including contracted post offices.



The campaign's logomark (left) and a campaign commercial

■ Initiatives concerning checks of benefits and other payments

Japan Post Insurance recognizes the management of benefit and other payments as a high-priority issue. After checking benefit and other payments made while operating as Japan Post (April 2003 to September 2007), we have been providing information to policyholders and recommending that they file claims where appropriate.

Specifically, we completed an automated inspection of cases where additional payments were needed as well as cases where it was deemed necessary to provide information about a claim to the policyholder accompanied by human review in December 2009, and by February 2010 we had sent information to all affected policyholders. We also worked with Japan Post Network to visit customers who failed to file a claim after being contacted by mail and phone to encourage them directly to do so.

In addition to bringing this initiative to completion as quickly as possible, we are giving the necessary improvements top priority in our business operations and will bring our full resources to bear to prevent a recurrence of these issues.

■ Enhancing and strengthening our internal management systems

Japan Post Network Co., Ltd., a partner to which we outsource certain business operations, received a business improvement order from the Financial Services Agency in December 2009 in response to a series of embezzlement cases involving large sums of money over an extended period of time.

We take this measure very seriously and are working to enhance and strengthen our internal management systems.

■ Simplifying policy information and policy agreement

In April 2010, we launched an effort to simplify policy information and policy agreement by soliciting views from individuals outside the company in order to make policies easier to understand for customers.

For policy information, we introduced a new design conceived to improve ease of use by adding a "Notes" column with links to corresponding sections of the policy agreement and related pages in the policy information and to increase the readability and accessibility of the information presented by adding an introductory page and incorporating charts and illustrations into the text.

For policy agreement, we changed the layout to place provisions related to sections that are frequently referenced by policyholders such as "Payment of Benefits" at the beginning, made the text easier to see and understand by utilizing charts and bullet lists, and simplified legal expressions and other language that customers likely do not encounter on an everyday basis.



■ Insurance Act Enforcement

The Insurance Act (Law No. 56 of 2008) took effect on April 1, 2010. In addition to revising previous laws related to insurance contracts put in place by the Commercial Code in response to changing social and economic conditions in Japan and implementing provisions designed to protect policyholders, the new act simplifies policy language and puts in place a legal framework for insurance contracts.

Japan Post Insurance has reviewed its policy agreement in light of the Insurance Act.

3. Asset Management

Japan Post Insurance seeks to match asset and liability cash flows by building a portfolio of long-term yen-denominated interest-bearing assets based on the characteristics of its liabilities in order to maintain sound management and ensure the payment of benefits. Going forward, we will work to take advantage of other yen-denominated assets such as Japanese local government bonds and Japanese corporate bonds that can be expected to generate higher interest than Japanese government bonds from the standpoint of improving profits while striving to strengthen our risk management system.

4. Contributing to Local Communities

With the objective of contributing to the health of everyone in society, Japan Post Insurance works with NHK (Japan Broadcasting Corporation) and the Japan Radio-taiso Federation to promote radio exercise and *Minna no Taiso* ("Exercise for Everyone").

This effort takes the form of the Radio Exercise and *Minna no Taiso* Summer Tour and Special Tour as well as the Festival of 10 Million People's Radio Exercise and *Minna no Taiso*, which are held each year from April to October at venues nationwide through the joint sponsorship of NHK (Japan Broadcasting Corporation) and the Japan Radio-taiso Federation.

TOPICS

Held the 48th Festival of 10 Million People's Radio Exercise and *Minna no Taiso*.

We held the 48th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") to celebrate the 10th anniversary of the *Minna no Taiso* program at 6:00 am on August 2, 2009, at Red Brick Park (Red Brick Warehouse Plaza) in Yokohama, Kanagawa Prefecture.

Despite the early morning timing, about 8,000 people participated, including radio exercise fans from around Japan as well as local elementary school students and their parents.



At the 48th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* celebrating the 10th anniversary of the *Minna no Taiso* program (at Red Brick Park [Red Brick Warehouse Plaza] on August 2, 2009)

2. Products and Services

(As of April 1, 2010)

1. Types of insurance

Aim of contract	Type of insurance	Subscription age									
		0	10	20	30	40	50	60	70	80	
For those considering lifetime security	Fixed whole life insurance					20 to 65					
For those considering the balance of lifetime security	Whole life insurance with twofold insurance coverage					20 to 60					
	Whole life insurance with fivefold insurance coverage					20 to 55					
For those who want to add <i>Tanoshimi</i> (enjoyment) to lifetime security	Special whole life insurance					20 to 65					
For those who wish to increase security with a minimum burden	Ordinary term insurance				15 to 50						
For those considering both security and maturity	Ordinary endowment insurance	0 to 75									
For those considering both enhanced security and maturity	Special endowment insurance with twofold insurance coverage					15 to 65					
	Special endowment insurance with fivefold insurance coverage					15 to 60					
	Special endowment insurance with tenfold insurance coverage					15 to 55					
For those struggling with illness	Designated endowment insurance					40 to 65					
For those considering making preparations for education funds	Educational endowment insurance	0 to 12									
				18 to 55 (male)							
				16 to 55 (female)							
For those who want to add further security in preparations for education funds	Educational endowment insurance with scholarship annuity	0 to 12									
				18 to 55 (male)							
				16 to 55 (female)							
For those considering a comfortable retirement	Whole life insurance with whole life annuity					20 to 75					
For those who wish to enjoy a long life-span	Increasing whole life annuity					20 to 75					
For those considering a comfortable retirement	Term annuity						45 to 70				
For those who wish to accumulate assets as wage earners	Asset-formation savings insurance					15 to 65					
	Asset-formation housing funding insurance					15 to 54					
	Asset-formation whole life annuity					36 to 54					

*Subscription age for educational endowment insurance and educational endowment insurance with scholarship annuity is shown in pink for insured person and in light blue for policyholders.

2. Principal Riders and Provisions

(As of April 1, 2010)

Name of rider/provision	Outline of rider/provision
Accident rider	Rider concerning provision for death or physical disability caused by an unforeseen accident
Nonparticipating accident hospitalization rider	Rider concerning provision for predefined hospitalization, surgery or long-term hospitalization caused by an unforeseen accident
Nonparticipating illness hospitalization and accident hospitalization rider	Rider concerning provision for predefined hospitalization, surgery or long-term hospitalization caused by illness or an unforeseen accident
Option that allows a designated third party to request insurance benefits	A designated third party (family etc.) can submit requests for insurance benefits on behalf of the beneficiary (insured person) when he or she is unable to do so due to special circumstances.

*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

● Nonparticipating accident hospitalization rider and nonparticipating illness hospitalization and accident hospitalization rider



We started offering the Japan Post Insurance *Sono hi kara* Hospitalization Rider, which pays benefits beginning with the first day in the hospital. Furthermore, we significantly extended the scope of surgery covered by our rider to match the government health insurance system.

Sales of this product started in July 2008 in line with our policy of providing insurance coverage that is simple and easy to understand.

■ Coverage of Japan Post Insurance *Sono hi kara* Hospitalization Rider

Benefits (for nonparticipating illness hospitalization and accident hospitalization rider) ¥15,000 daily payment in hospital stay (Rider standard insurance amount: ¥10 million)	
Hospitalization for illness or injury (hospitalization benefit) Benefits starting with the first day of hospitalization (even for a single-day stay in the hospital [Note 1])	¥15,000 × days of hospitalization (Daily payment of hospitalization benefits) (120 days limit)
Surgery for illness or injury (surgery benefits) Payments for surgery requiring hospitalization (Note 2)	Depending on the type of surgery: ¥15,000×5, 10, 20, or 40 times (Daily payment of hospitalization benefits)
Long-term hospitalization for illness or injury (long-term hospitalization, one-time payment) Payment made when hospital stay reaches 120 consecutive days	¥300,000 (3% of rider standard insurance amount)

Notes: 1. A single-day stay in the hospital is defined as when the hospital admittance and discharge days are the same. Decisions regarding hospitalization will be based on whether or not the hospitalization basic fee was paid and on other factors.
2. Surgery covered by the rider has been expanded to cover surgery eligible under the specified government health insurance system, such as tonsil removal that requires hospitalization.

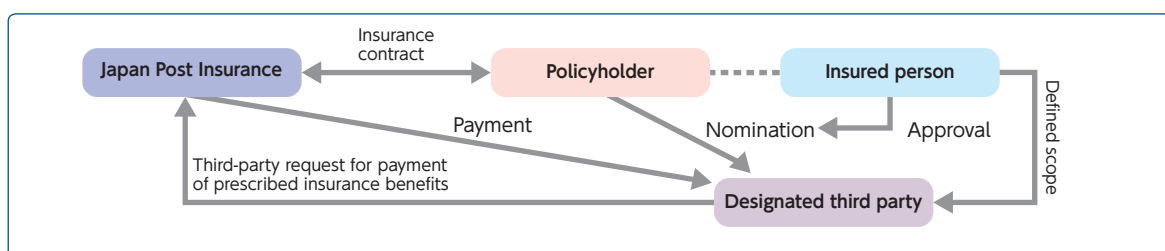
*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

● Start of system with an option that allows a designated third party to request insurance benefits

With this system, policyholders designate in advance a third party who can act as an agent for requesting the payment of insurance benefits. This may be useful when an insured person who is also the

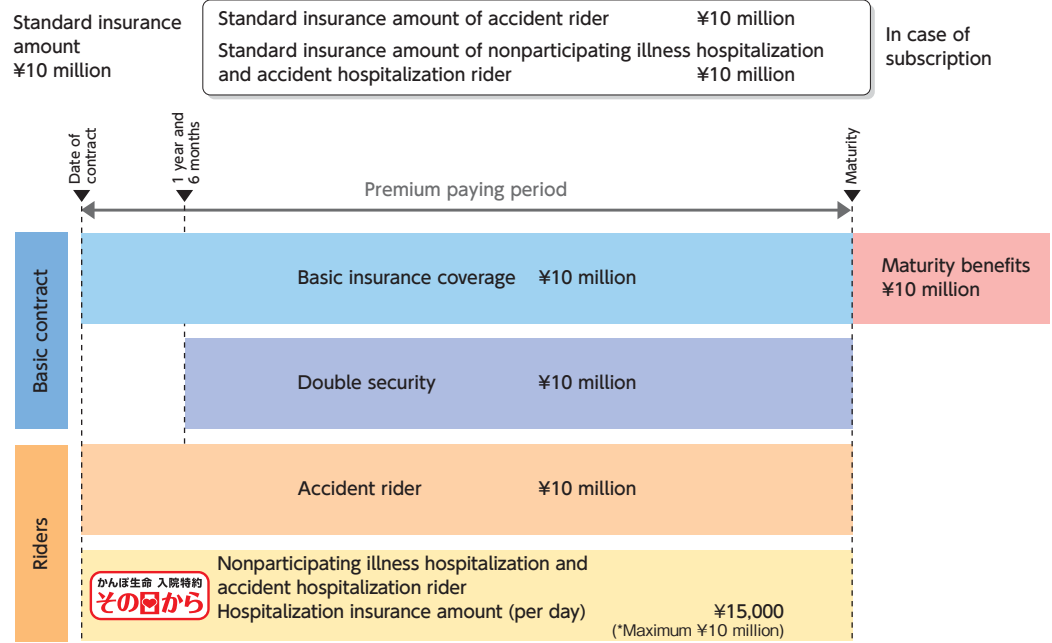
beneficiary is unable to submit the request due to a serious illness or injury.

■ System with an option that allows a designated third party to request insurance benefits



Insurance schemes

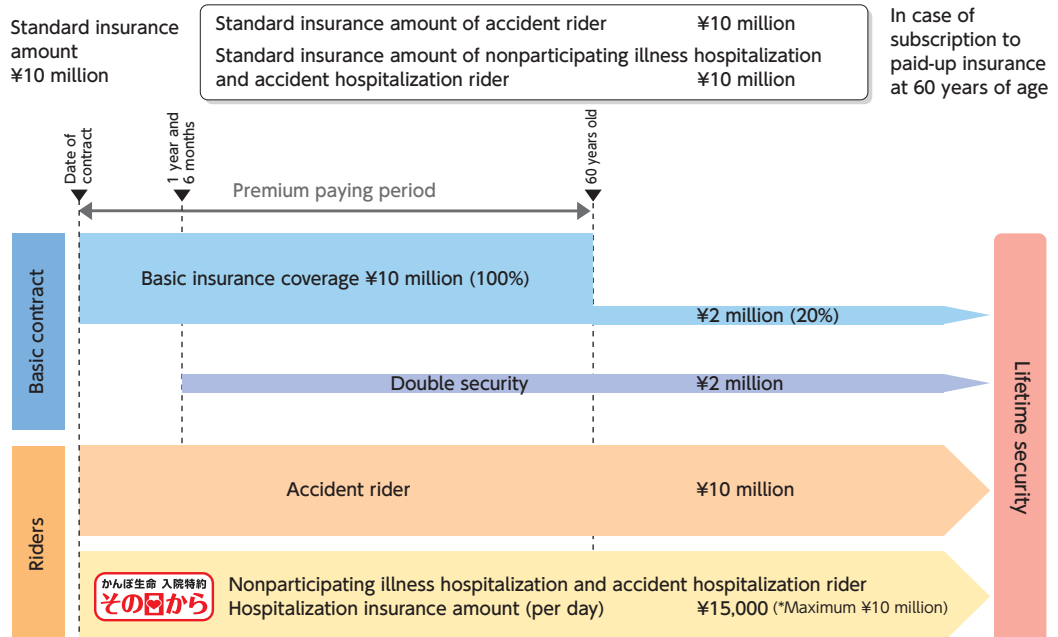
●Outline of endowment insurance schemes Ordinary endowment insurance



Features

- We pay maturity benefits when the term of the insurance has matured while the insured person is still alive and death benefits to a beneficiary when the insured person has passed away during the term of the insurance. (The amount is the same for both maturity and death benefits.)
- Maturity can be set in one-year increments, and insurance premiums will not change until maturity.

●Outline of whole life insurance schemes Whole life insurance with fivefold insurance coverage



Features

- Payment of death benefits made in case of death of insured person.
- Unnecessary to make insurance payments following maturity of premium paying period.
- Provides lifetime security.
- Death insurance amount following maturity of premium paying period will be equivalent to 20% of the standard insurance amount.

3. Japan Post Insurance Business Performance

1 Sound Management Indicators

1. Core profit

Core profit is a basic periodical earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premium income, insurance claims and others, and operating expenses as well as investment-related income and expenses, which consist primarily of interest and dividends income.

Core profit is not listed on the Statement of Income, and is obtained by deducting capital gains and losses, such as gains and losses on sales of securities and other one-time gains and losses from net ordinary income.

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

Japan Post Insurance's core profit for fiscal 2010 was ¥427.1 billion. The Company covered a negative spread amounting to ¥236.2 billion with mortality and morbidity rate margin, which represents gains from a decline in the mortality rate and hospitalization rate, etc., and administrative expense margin, which are gains resulting from business efficiency improvements. In other words, core profit, which reflects the Company's three main profit sources, was positive.

The average assumed interest rate was 1.99%, while the interest rate yield was 1.73%, resulting in a difference of 0.26%. In recent years, this difference has been narrowing due to the maturation of contracts with high average assumed interest rates.

Core profit ¥427.1 billion

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

	Fiscal 2009	Fiscal 2010
Core profit	¥ 432.4	¥ 427.1
Negative spread	(353.7)	(236.2)
Mortality and morbidity rate margin	354.5	324.7
Administrative expense margin	431.6	338.6

(Billions of yen, rounded down)

	Fiscal 2009	Fiscal 2010
Core profit A	¥ 432.4	¥ 427.1
Capital gains	66.6	48.8
Gains on money held in trust	—	38.7
Gains from trading securities	—	—
Gains on sales of securities	66.6	10.0
Gains on derivatives	—	—
Foreign exchange gains	—	—
Other capital gains	—	—
Capital losses	474.7	31.9
Losses on money held in trust	296.7	—
Losses from trading securities	—	—
Losses on sales of securities	107.1	26.4
Losses on valuation of securities	58.7	—
Losses on derivatives	—	0.2
Foreign exchange losses	0.2	0.9
Other capital losses	11.8	4.4
Net capital gains B	(408.1)	16.8
Core profit including capital losses A+B	24.2	444.0
Other one-time gains	190.0	—
Reinsurance income	—	—
Reversal of contingency reserve	190.0	—
Others	—	—
Other one-time losses	—	64.3
Reinsurance premiums	—	—
Provision for contingency reserve	—	64.3
Provision for individual allowance for doubtful accounts	—	—
Provision for reserve for specific overseas loans	—	—
Depreciation of loans	—	—
Others	—	—
Other one-time profits C	190.0	(64.3)
Net ordinary income A+B+C	¥ 214.2	¥ 379.6

Note: Amounts (¥11.8 billion in fiscal 2009 and ¥4.4 billion in fiscal 2010) corresponding to income gains among gains from money held in trust have been recorded in "Other capital losses" and are included in core profit as "other core income."

2. Solvency Margin Ratio

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

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

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

Japan Post Insurance's solvency margin ratio as of March 31, 2010, was 1,663.9%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

Solvency margin ratio
1,663.9%

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

(Billions of yen, rounded down)

	Fiscal 2009 (March 31, 2009)	Fiscal 2010 (March 31, 2010)
Total amount of solvency margin (A)	¥ 4,539.5	¥ 4,749.6
Capital stock, etc.	1,056.6	1,109.2
Reserve for price fluctuations	446.5	421.4
Contingency reserve	2,886.2	2,950.6
General reserves for possible loan losses	0	0
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	9.2	60.1
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	0.3	(14.8)
Excess of continued Zillmerised reserve	80.6	148.2
Capital raised through debt financing	—	—
Deductions	—	—
Other	59.8	74.7
Total amount of risk (B)	635.0	570.8
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Underwriting risk R ₁	187.9	183.2
Underwriting risk of third-sector insurance R ₈	179.0	159.6
Anticipated yield risk R ₂	71.9	65.9
Investment risk R ₃	424.9	370.8
Business management risk R ₄	17.2	15.5
Minimum guarantee risk R ₇	—	—
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1429.7%	1663.9%

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

Capital stock, etc.; reserve for price fluctuations; contingency reserve; general reserves for possible loan losses; net unrealized gains (losses) on available-for-sale securities × 90% (see note); net unrealized gains (losses) on real estate × 85% (see note); excess of continued Zillmerised reserve; capital raised through debt financing; deductions; and other

Note: 100% for negative figures

●(B) Total amount of risk

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

Underwriting risk (R1)

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

Underwriting risk of third-sector insurance (R8)

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

Anticipated yield risk (R2)

Amount equivalent to exposure to the risk of the return on investment falling below the anticipated investment yield due to a downturn in the investment climate

Investment risk (R3)

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

Business management risk (R4)

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

Minimum guarantee risk (R7)

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

3. Status of Accumulation of Contingency Reserve and Reserve for Price Fluctuations

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

As of March 31, 2010, Japan Post Insurance had a contingency reserve of ¥2,950.6 billion and a reserve for price fluctuations of ¥421.4 billion, a total of ¥3,372.0 billion.

(Billions of yen, rounded down)

	End of Fiscal 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)
Contingency reserve	¥ 2,886.2	¥ 2,950.6
Limit amount	¥ 3,358.8	¥ 3,162.3
Reserve for price fluctuations	446.5	421.4
Limit amount	446.5	421.4
Total	¥ 3,332.8	¥ 3,372.0

Contingency reserve and reserve for price fluctuations ¥3,372.0 billion

4. Real Net Assets

Real net assets are calculated by subtracting liabilities, other than the contingency reserve and reserve for price fluctuations and other high capital debt items, from total assets at market value. Regulatory agencies use real net assets as an indication of an insurer's financial soundness at the end of a fiscal period. A negative figure may lead to an order to suspend operations or other regulatory actions. (However, such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy reserve-matching bonds is positive and liquid assets have been set aside).

As of March 31, 2010, Japan Post Insurance had a sufficient level of real net assets, at ¥6,598.7 billion.

(Billions of yen, rounded down)

End of Fiscal 2009 (March 31, 2009)	End of Fiscal 2010 (March 31, 2010)
¥ 6,203.6	¥ 6,598.7

5. Net Unrealized Gains (Losses) on Securities

Net unrealized gains and losses on assets reflect the differential between fair market value and book value.

At the end of fiscal 2010, Japan Post Insurance recorded a net unrealized gain on securities of ¥1,966.4 billion.

We recorded a ¥11.7 billion net unrealized gain on money held in trust and a ¥66.7 billion overall net unrealized gain on available-for-sale securities, an improvement over the previous fiscal year. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

	End of fiscal 2009 (March 31, 2009)	End of fiscal 2010 (March 31, 2010)
	Net unrealized gains (losses)	
Total	¥ 1,723.5	¥ 1,966.4
Held-to-maturity securities	998.4	1,003.8
Policy reserve-matching bonds	714.8	895.8
Available-for-sale securities (before tax effects)	(Note 1) 10.2	(Note 2) 66.7
Securities, etc.	27.0	55.0
Money held in trust	(16.8)	11.7

Notes: 1. This figure after tax effects was ¥6.5 billion.

2. This figure after tax effects was ¥42.5 billion.

6. Risk-monitored Loans

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

2 Insurance Policies

New Policies and Policies in Force

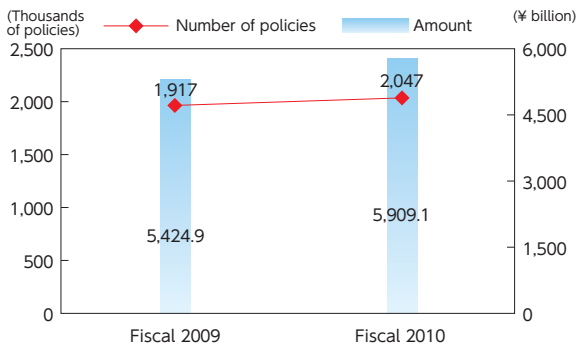
In fiscal 2010, Japan Post Insurance sold 2,047 thousand individual insurance policies with an insured amount of ¥5,909.1 billion, and 217 thousand individual annuity policies with an annuity amount of ¥735.3 billion.

As of March 31, 2010, there were 4,343 thousand individual insurance policies, and policies in force totaled ¥12,343.2 billion. There were 455 thousand individual annuity policies with an annuity

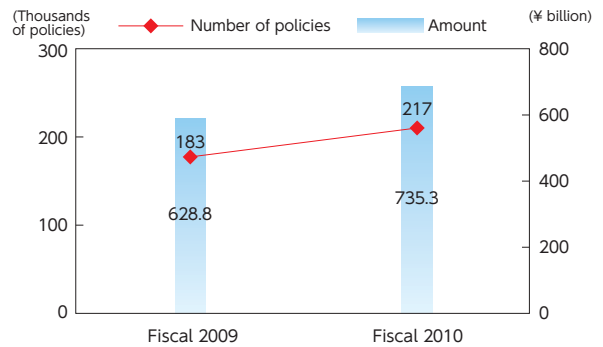
amount of ¥1,506.1 billion.

Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 40,308 thousand life insurance policies with an insured amount of ¥112,069.4 billion and 5,361 thousand annuity policies with an annuity amount of ¥1,980.4 billion.

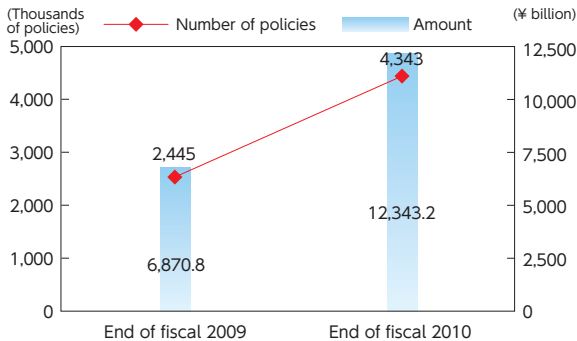
New Policies (Individual Insurance)



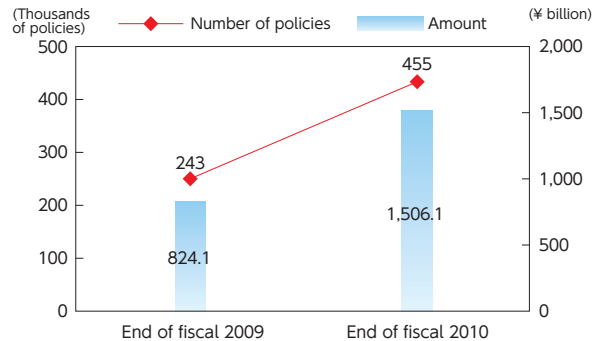
New Policies (Individual Annuities)



Policies in Force (Individual Insurance)



Policies in Force (Individual Annuities)



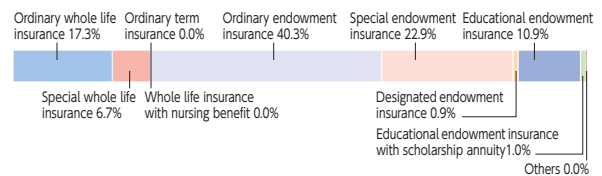
Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

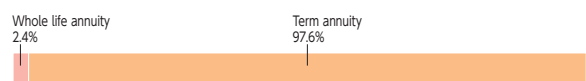
	End of Fiscal 2009 (March 31, 2009)		End of Fiscal 2010 (March 31, 2010)	
	Number of policies	Insured amount/ annuity amount	Number of policies	Insured amount/ annuity amount
Life insurance	46,026	¥ 127,523.3	40,308	¥ 112,069.4
Annuity	5,806	2,136.6	5,361	1,980.4

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

Composition of New Policies (Percentage of Total Number of New Policies): Individual Insurance



Composition of New Policies (Percentage of Total Number of New Policies): Individual Annuities



3 Asset Management Overview (General Account)

1. Assets

At March 31, 2010, total assets of Japan Post Insurance amounted to ¥100.9 trillion, a decrease of ¥5.6 trillion from fiscal 2009 (¥106.5 trillion).

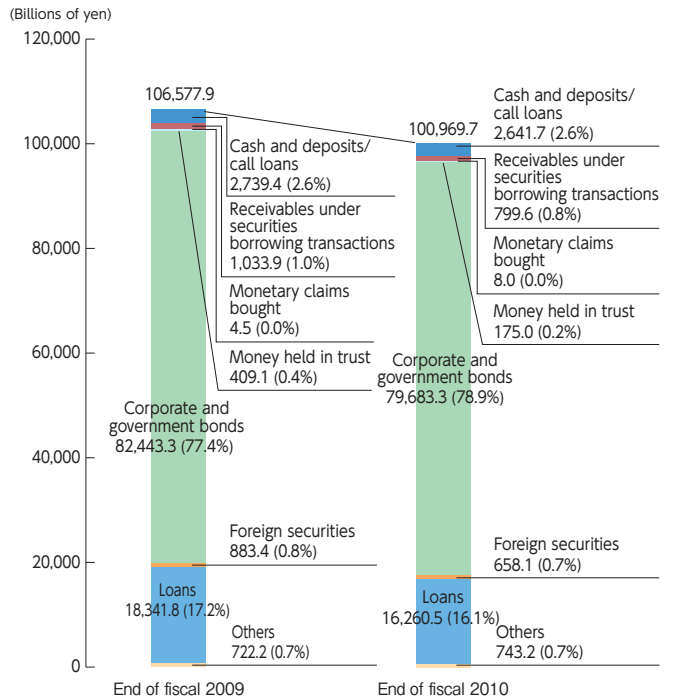
Our investment policy in fiscal 2010 was to continue investing primarily in yen-denominated interest-bearing assets that provide stable interest income.

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

Our management of investments of money held in trust centers on domestic equities and real estate.

Loan receivables include syndicated loans, loans to local governments, and policy loans. The loans receivables balance decreased due to the repayment of loans made to the Management Organization for Postal Savings and Postal Life Insurance.

■ Composition of assets



2. Asset Management Yield

Thanks to a recovery in the global financial and economic climate, which resulted in a significant improvement in capital gains and losses on risk assets, and careful investment primarily in yen-denominated interest-bearing assets, investment expenses improved compared with the previous fiscal year, giving Japan Post Insurance an asset management yield of 1.58%.

■ Asset Management Yield

Item	Fiscal 2009 (April 1, 2008, to March 31, 2009)	Fiscal 2010 (April 1, 2009, to March 31, 2010)
Yield	1.15% (1.66%)	1.58% (1.73%)

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

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

■ Holdings of Securitized Financial Instruments

Item	End of fiscal 2009 (March 31, 2009)		End of fiscal 2010 (March 31, 2010)	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	250.4	(1.6)	311.9	6.4

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

■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

5. Other Businesses

1. Hospital Business

Japan Post Holdings has established 14 Teishin Hospitals around Japan that serve as corporate hospitals for the Japan Post Group. Teishin Hospitals are open for the use of any member of the public, as well as Group employees and their families and they provide medical services that contribute to the health of everyone in the

community.

Notably, Tokyo Teishin Hospital has 514 sickbeds, high-quality, advanced medical care and medical equipment, and cutting-edge medical research. For details, please refer to p.90.

List of 14 Japan Post Teishin Hospitals nationwide



Japan Post Sapporo Teishin Hospital
Departments
Internal medicine, surgery, ophthalmology, otolaryngology, orthopedics



Japan Post Kyoto Teishin Hospital
Departments
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, otolaryngology, orthopedics, radiology, anesthesiology



Japan Post Sendai Teishin Hospital
Departments
Internal medicine, gastroenterohepatology, surgery, obstetrics and gynecology, ophthalmology, dermatology, otolaryngology, orthopedics, proctology



Japan Post Osaka Kita Teishin Hospital
Departments
Internal medicine, gastroenterohepatology, surgery, pediatrics, ophthalmology, otolaryngology, radiology, anesthesiology, proctology



Japan Post Yokohama Teishin Hospital
Departments
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics, anesthesiology



Japan Post Kobe Teishin Hospital
Departments
Internal medicine, surgery, gynecology, pediatrics, ophthalmology, otolaryngology, orthopedics, radiology



Japan Post Tokyo Teishin Hospital
Departments
Internal medicine, gastroenterohepatology, cardiology, respiratory, psychiatry, surgery, cardiovascular, neurosurgery, gynecology, pediatrics, ophthalmology, dermatology, urology, otolaryngology, orthopedics, radiology, dental/oral surgery, rehabilitation, anesthesiology, emergency and general medicine, endoscopy center, medical check-up center, pathology, clinical laboratory



Japan Post Hiroshima Teishin Hospital
Departments
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics



Japan Post Niigata Teishin Hospital
Departments
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics



Japan Post Tokushima Teishin Hospital
Departments
Internal medicine, surgery, gynecology, ophthalmology, orthopedics



Japan Post Toyama Teishin Hospital
Departments
Internal medicine, surgery, obstetrics and gynecology, ophthalmology, orthopedics



Japan Post Fukuoka Teishin Hospital
Departments
Internal medicine, gastroenterohepatology, cardiology, surgery, obstetrics and gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics, radiology, anesthesiology



Japan Post Nagoya Teishin Hospital
Departments
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, dermatology specialist outpatients, otolaryngology, orthopedics, medical check-up center



Japan Post Kagoshima Teishin Hospital
Departments
Internal medicine, gastroenterohepatology, surgery, gynecology, ophthalmology, orthopedics, proctology

2. Hotel Business

1. Kanpo no Yado inns and Kanpo no Sato inns

There are 65 *Kanpo no Yado* inns nationwide (including three that are temporarily closed). Most of these facilities are near tourist spots. As a result of privatization, *Kanpo no Yado* inns are now available for the use of all persons, in the same way as regular *ryokan* and hotels, regardless of whether guests possess insurance policies of Japan Post Insurance.

In addition, there are four *Kanpo no Sato* inns in Japan, where people can enjoy sports and other leisure activities in a natural setting. For details, please refer to p.91-92.

2. Rafre Saitama and other facilities

Rafre Saitama is a lodging facility located near Saitama Shintoshin station that has a conference room, banquet hall and fitness center.

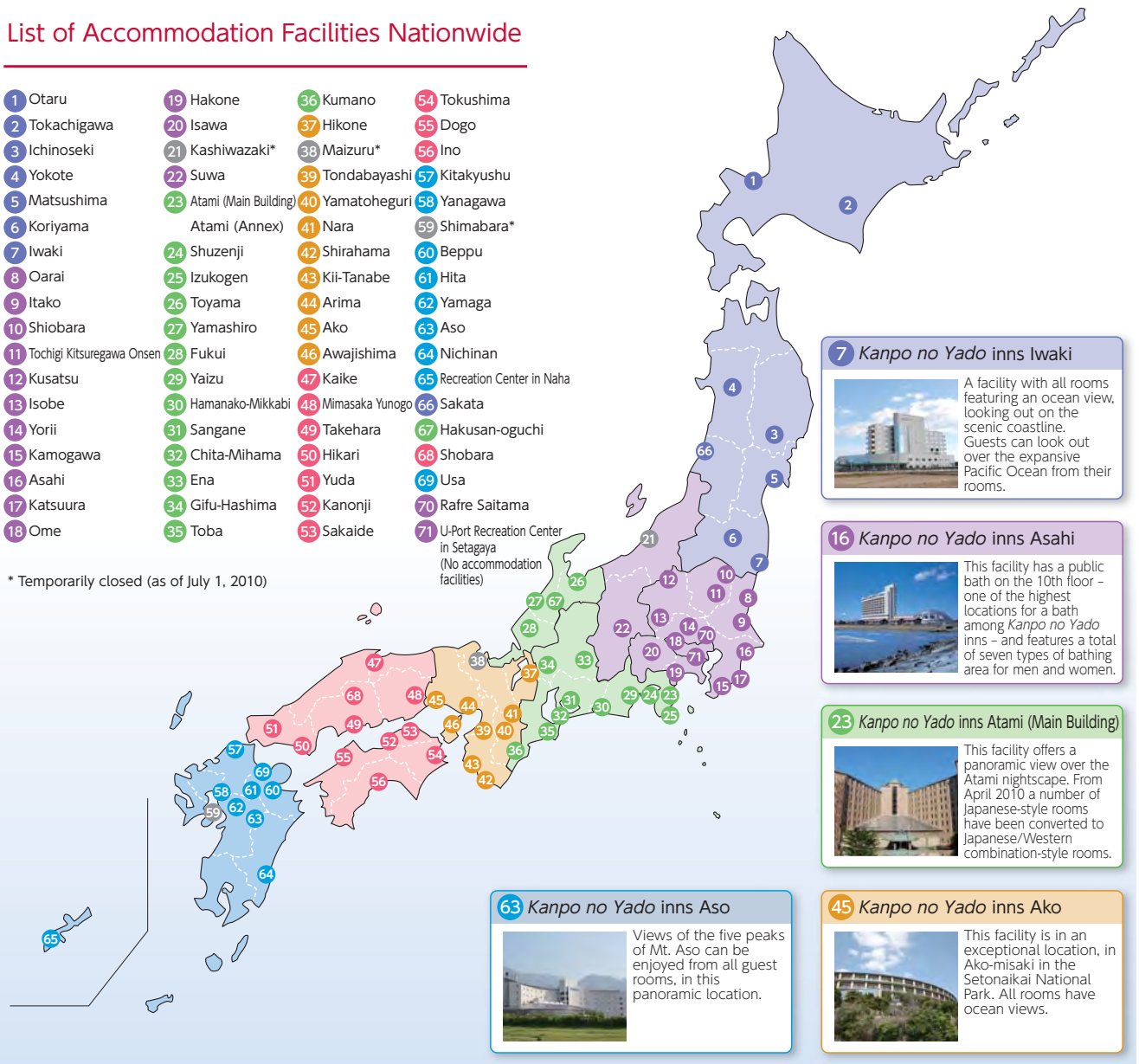
U-Port Recreation Center in Setagaya Ward, Tokyo, includes tennis courts, a heated indoor swimming pool, a gym, a fitness center and other sports facilities. For details please refer to p.92.

Notes: 1. With regard to MIELPARQUE hotels, in October 2008 Japan Post Holdings concluded a fixed-term lease agreement with Watabe Wedding Corp., whose subsidiary currently runs the facilities.
2. With regard to U-Port, in December 2008 Japan Post Holdings concluded a fixed-term lease agreement with Seiyo Food-Compass Group, Inc. and Central Sports Co., Ltd., which currently run the facility.

List of Accommodation Facilities Nationwide

- | | | | |
|------------------------------|--------------------------|--------------------|---|
| 1 Otaru | 19 Hakone | 36 Kumano | 54 Tokushima |
| 2 Tokachigawa | 20 Isawa | 37 Hikone | 55 Dogo |
| 3 Ichinoseki | 21 Kashiwazaki* | 38 Maizuru* | 56 Ino |
| 4 Yokote | 22 Suwa | 39 Tondabayashi | 57 Kitakyushu |
| 5 Matsushima | 23 Atami (Main Building) | 40 Yamatoheguri | 58 Yanagawa |
| 6 Koriyama | Atami (Annex) | 41 Nara | 59 Shimabara* |
| 7 Iwaki | 24 Shuzenji | 42 Shirahama | 60 Beppu |
| 8 Oarai | 25 Izukogen | 43 Kii-Tanabe | 61 Hita |
| 9 Itako | 26 Toyama | 44 Arima | 62 Yamaga |
| 10 Shiobara | 27 Yamashiro | 45 Ako | 63 Aso |
| 11 Tochigi Kitsuregawa Onsen | 28 Fukui | 46 Awajishima | 64 Nichinan |
| 12 Kusatsu | 29 Yaizu | 47 Kaike | 65 Recreation Center in Naha |
| 13 Isobe | 30 Hamanako-Mikkabi | 48 Mimasaka Yunogo | 66 Sakata |
| 14 Yorii | 31 Sangane | 49 Takehara | 67 Hakusan-oguchi |
| 15 Kamogawa | 32 Chita-Mihama | 50 Hikari | 68 Shobara |
| 16 Asahi | 33 Ena | 51 Yuda | 69 Usa |
| 17 Katsuura | 34 Gifu-Hashima | 52 Kanonji | 70 Rafre Saitama |
| 18 Ome | 35 Toba | 53 Sakaide | 71 U-Port Recreation Center in Setagaya (No accommodation facilities) |

* Temporarily closed (as of July 1, 2010)




7 Kanpo no Yado inns Iwaki




A facility with all rooms featuring an ocean view, looking out on the scenic coastline. Guests can look out over the expansive Pacific Ocean from their rooms.

16 Kanpo no Yado inns Asahi




This facility has a public bath on the 10th floor - one of the highest locations for a bath among *Kanpo no Yado* inns - and features a total of seven types of bathing area for men and women.

23 Kanpo no Yado inns Atami (Main Building)




This facility offers a panoramic view over the Atami nightscape. From April 2010 a number of Japanese-style rooms have been converted to Japanese/Western combination-style rooms.

63 Kanpo no Yado inns Aso



Views of the five peaks of Mt. Aso can be enjoyed from all guest rooms, in this panoramic location.

45 Kanpo no Yado inns Ako



This facility is in an exceptional location, in Ako-misaki in the Setonaikai National Park. All rooms have ocean views.