Data Compilation

Financial Data

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1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Consolidated ordinary income	10,097,968	19,961,705	18,773,630
Consolidated net ordinary income	438,739	830,565	1,007,260
Consolidated net income	277,290	422,793	450,220
Consolidated net assets	8,311,433	8,746,172	9,625,962
Consolidated total assets	327,588,290	305,894,430	298,571,321
Consolidated capital adequacy ratio (domestic standard)	60.91%	67.62%	69.77%

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

Japan Post Holdings Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Operating income	132,904	303,099	317,087
Net operating income	34,369	107,173	144,339
Net ordinary income	37,824	109,919	147,179
Net income	42,598	109,026	145,389
Net assets	8,046,551	8,147,114	8,265,323
Total assets	9,705,592	9,525,259	9,625,504

Japan Post Network Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Operating income	615,880	1,293,229	1,263,975
Net operating income	7,517	68,375	52,173
Net ordinary income	18,535	83,880	62,439
Net income	4,678	40,843	32,981
Net assets	204,678	244,352	267,122
Total assets	3,286,487	3,256,547	3,252,318

Japan Post Service Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Operating income	1,053,676	1,865,282	1,813,048
Net operating income	103,773	44,888	42,779
Net ordinary income	113,763	58,974	56,997
Net income	69,487	29,812	(47,493)
Net assets	269,487	281,928	226,981
Total assets	2,149,599	2,050,151	1,963,440

Japan Post Bank Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Ordinary income (Revenues)	1,328,904	2,488,552	2,207,942
Net ordinary income	256,171	385,243	494,252
Net income	152,180	229,363	296,758
Net assets	8,076,855	8,179,574	8,839,547
Total assets	212,149,182	196,480,796	194,678,352
Capital adequacy ratio (domestic standard)	85.90%	92.09%	91.62%

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

Japan Post Insurance Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Ordinary income	7,686,842	15,533,727	14,591,640
Net ordinary income	11,991	214,285	379,623
Net income	7,686	38,316	70,126
Net assets	904,250	1,072,756	1,169,366
Total assets	112,524,670	106,577,963	100,969,782
Solvency margin ratio	1,116.3%	1,429.7%	1,663.9%

About the Figures for Fiscal 2008

The Japan Post Group launched its operations as a joint-stock corporation following its privatization on October 1, 2007. Since Japan Post Holdings Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., were established earlier to prepare for the privatization, their fiscal years began on April 1, 2007. Therefore, the accounts for these companies include figures for the preparation planning companies. The accounts for Japan Post Network Co., Ltd., and Japan Post Service Co., Ltd., cover the period from October 1, 2007, through March 31, 2008.

2. Japan Post Group Companies —Consolidated Financial Data

The consolidated balance sheets as of March 31, 2010 and 2009 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Group Companies were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan. (The following are translations into English of the audited financial statements in Japanese.)

1 Consolidated Balance Sheets

(Millions of yen)

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Assets		
Cash and due from banks	¥ 9,522,062	¥ 8,012,842
Call loans	511,442	615,538
Receivables under securities borrowing transactions	1,759,763	3,295,301
Monetary claims bought	70,937	132,141
Trading account securities	159	196
Money held in trust	1,633,866	1,190,393
Securities	257,087,635	258,834,902
Loans	22,376,512	20,283,133
Foreign exchanges	9,872	5,860
Deposits to the Fiscal Loan Fund	8,700,000	2,000,000
Other assets	831,591	965,960
Tangible fixed assets	2,910,307	2,812,014
Buildings	1,192,149	1,132,531
Land	1,457,815	1,464,149
Construction in progress	4,456	13,491
Other tangible fixed assets	255,886	201,842
Intangible fixed assets	160,084	219,478
Software	157,467	201,993
Goodwill	4	17
Other intangible fixed assets	2,612	17,467
Deferred tax assets	320,280	193,631
Allowance for doubtful accounts	(4,481)	(5,580)
Contribution to society and community funds assets	4,395	15,504
Total Assets	**¥305,894,430**	**¥298,571,321**

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Liabilities		
Deposits	¥ 176,416,748	¥ 174,787,787
Policy reserves	102,727,247	97,226,858
Reserve for outstanding claims	1,165,595	1,131,793
Policy reserve	98,801,221	93,417,099
Reserve for policyholders' dividends	2,760,430	2,677,965
Payables under securities lending transactions	2,126,106	7,265,185
Borrowed money	8,719,130	2,001,240
Foreign exchanges	102	116
Other liabilities	2,901,860	3,368,642
Reserve for employees' bonuses	123,436	124,092
Reserve for employees' retirement benefits	3,663,646	3,581,310
Reserve for directors' retirement benefits	436	581
Reserve under the special laws	446,581	421,408
Reserve for price fluctuations in security investments	446,581	421,408
Deferred tax liabilities	21,083	167,638
Negative goodwill	1,877	497
Total Liabilities	**¥297,148,258**	**¥ 288,945,358**
Net Assets		
Capital stock	¥ 3,500,000	¥ 3,500,000
Capital surplus	4,503,856	4,503,856
Retained earnings	751,066	1,159,491
Total shareholders' equity	8,754,922	9,163,347
Contribution to society and community funds	15,162	29,701
Valuation and translation adjustments of contribution to society and community funds	56	132
Net unrealized gains (losses) on available-for-sale securities	(11,954)	423,606
Deferred gains (losses) on derivatives under hedge accounting	(12,974)	8,069
Total valuation and translation adjustments	(24,928)	431,676
Minority interests	959	1,104
Total Net Assets	**¥ 8,746,172**	**¥ 9,625,962**
Total Liabilities and Net Assets	**¥305,894,430**	**¥ 298,571,321**

2 Consolidated Statements of Income

(Millions of yen)

Item	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Ordinary income	**¥ 19,961,705**	**¥ 18,773,630**
Postal service income	1,835,096	1,884,158
Banking service income	2,486,006	2,205,529
Insurance service income	15,533,433	14,590,746
Other ordinary income	107,168	93,195
Ordinary expenses	**19,131,180**	**17,766,488**
Operating expenses	16,413,691	15,140,010
Personnel expenses	2,372,296	2,372,269
Depreciation	212,164	219,298
Other ordinary expenses	133,029	34,909
Contribution to society and community funds investment income (expenses)	**40**	**117**
Contribution to society and community funds investment income	40	118
Contribution to society and community funds investment expenses	0	0
Net ordinary income	**830,565**	**1,007,260**
Extraordinary gains	**125,224**	**28,445**
Gains on sales of fixed assets	1,800	168
Gains on collection of written-off claims	63	53
Reversal of reserve under the special laws	112,420	25,173
Reversal of reserve for price fluctuations in security investments	112,420	25,173
Other extraordinary gains	10,940	3,051
Extraordinary losses	**20,798**	**13,212**
Losses on sales and disposal of fixed assets	8,540	4,625
Impairment losses	2,655	6,343
Other extraordinary losses	9,602	2,242
Provision for reserve for policyholders' dividends	**275,913**	**294,394**
Net income before income taxes and minority interests	**659,077**	**728,098**
Income taxes current	277,359	325,310
Income taxes deferred	(41,130)	(35,825)
Total income taxes	**236,229**	**289,484**
Minority interests (losses)	**54**	**(11,607)**
Net income	**¥ 422,793**	**¥ 450,220**

3 Consolidated Statements of Changes in Net Assets

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥3,500,000	¥3,500,000
Balance at the end of the current fiscal year	¥3,500,000	¥3,500,000
Capital surplus		
Balance at the end of the previous fiscal year	¥4,503,856	¥4,503,856
Balance at the end of the current fiscal year	¥4,503,856	¥4,503,856
Retained earnings		
Balance at the end of the previous fiscal year	¥ 347,695	¥ 751,066
Changes during the period		
Cash dividends	(8,520)	(27,256)
Net income for the period	422,793	450,220
Contribution to society and community funds	(10,902)	(14,538)
Total changes during the period	403,370	408,425
Balance at the end of the current fiscal year	¥ 751,066	¥1,159,491
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥8,351,551	¥8,754,922
Changes during the period		
Cash dividends	(8,520)	(27,256)
Net income for the period	422,793	450,220
Contribution to society and community funds	(10,902)	(14,538)
Total changes during the period	403,370	408,425
Balance at the end of the current fiscal year	¥8,754,922	¥9,163,347
Contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ 4,259	¥ 15,162
Changes during the period		
Net changes other than shareholders' equity	10,902	14,538
Total changes during the period	10,902	14,538
Balance at the end of the current fiscal year	¥ 15,162	¥ 29,701
Valuation and translation adjustments of contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ –	¥ 56
Changes during the period		
Net changes other than shareholders' equity	56	76
Total changes during the period	56	76
Balance at the end of the current fiscal year	¥ 56	¥ 132

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities		
Balance at the end of the previous fiscal year	¥ (49,658)	¥ (11,954)
Changes during the period		
Net changes other than shareholders' equity	37,704	435,560
Total changes during the period	37,704	435,560
Balance at the end of the current fiscal year	¥ (11,954)	¥ 423,606
Deferred gains (losses) on derivatives under hedge accounting		
Balance at the end of the previous fiscal year	¥ –	¥ (12,974)
Changes during the period		
Net changes other than shareholders' equity	(12,974)	21,044
Total changes during the period	(12,974)	21,044
Balance at the end of the current fiscal year	¥ (12,974)	¥ 8,069
Total valuation and translation adjustments		
Balance at the end of the previous fiscal year	¥ (49,658)	¥ (24,928)
Changes during the period		
Net changes other than shareholders' equity	24,729	456,605
Total changes during the period	24,729	456,605
Balance at the end of the current fiscal year	¥ (24,928)	¥ 431,676
Minority interests		
Balance at the end of the previous fiscal year	¥ 5,280	¥ 959
Changes during the period		
Net changes other than shareholders' equity	(4,321)	144
Total changes during the period	(4,321)	144
Balance at the end of the current fiscal year	¥ 959	¥ 1,104
Total net assets		
Balance at the end of the previous fiscal year	¥8,311,433	¥8,746,172
Changes during the period		
Cash dividends	(8,520)	(27,256)
Net income for the period	422,793	450,220
Contribution to society and community funds	(10,902)	(14,538)
Net changes other than shareholders' equity	31,367	471,365
Total changes during the period	434,738	879,790
Balance at the end of the current fiscal year	¥8,746,172	¥9,625,962

4 Consolidated Statements of Cash Flows

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Cash flows from operating activities:		
Net income before income taxes and minority interests	¥ 659,077	¥ 728,098
Depreciation	212,164	219,298
Impairment loss	2,655	6,343
Increase (decrease) in reserve for outstanding claims	277,421	(33,801)
Increase (decrease) in policy reserve	(5,934,141)	(5,384,121)
Interest on reserve for policyholders' dividends	25,357	21,483
Provision for reserve for policyholders' dividends	275,913	294,394
Amortization of goodwill including impairment	809	25
Amortization of negative goodwill	(18,190)	(1,645)
Equity in (earnings) losses of affiliates	714	(17)
Increase (decrease) in allowance for doubtful accounts	(594)	1,098
Increase (decrease) in reserve for employees' bonuses	(890)	549
Increase (decrease) in reserve for employees' retirement benefits	(103,540)	(82,336)
Increase (decrease) in reserve for directors' retirement benefits	(41)	145
Increase (decrease) in reserve for price fluctuations in security investments	(112,420)	(25,173)
Interest and dividend income–accrual basis	(1,649,925)	(1,617,928)
Interest expenses–accrual basis	6,407	3,121
Interests and dividend income	(2,309,794)	(2,066,085)
Interest expenses	657,022	447,718
Losses (gains) related to securities	99,211	4,965
Losses (gains) on money held in trust	396,979	(41,177)
Losses (gains) on foreign exchanges	550	(309)
Losses (gains) on sales and disposal of fixed assets	6,740	4,377
Net (increase) decrease in loans and bills discounted	(282,128)	8,521
Net increase (decrease) in deposits	(4,326,618)	(1,628,960)
Proceeds from redemption of deposits to the fiscal loan fund	12,000,000	6,700,000
Net increase (decrease) in borrowed money	(12,000,000)	(6,700,000)
Net (increase) decrease in negotiable certificates of deposit	514,000	2,220,000
Net (increase) decrease in call loans	3,708,044	(267,331)
Net (increase) decrease in receivables under securities borrowing transactions	(725,786)	(1,769,836)
Net increase (decrease) in payables under securities lending transactions	804,770	5,431,246
Net (increase) decrease in foreign exchange assets	3,581	4,011
Net increase (decrease) in foreign exchange liabilities	(225)	14
Interests and dividends received	2,387,091	2,227,579
Interest paid	(744,332)	(384,429)
Others	(351,658)	(234,459)
Subtotal	(6,521,774)	(1,914,619)
Interests and dividend income–cash basis	1,888,962	1,778,815
Interest expenses–cash basis	(6,603)	(3,137)
Dividends to policyholders paid	(396,351)	(397,653)
Income taxes paid	(496,971)	(245,992)
Net cash used in operating activities	**(5,532,739)**	**(782,587)**

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Cash flows from investing activities:		
Payments for purchase of call loans	(34,180,058)	(30,031,989)
Proceeds from redemption of call loans	34,508,486	30,138,358
Payments for purchase of monetary claims bought	(34,588)	(3,500)
Proceeds from sales and redemption of monetary claims bought	89,970	–
Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	105,671	(57,869)
Payments for purchase of securities	(83,218,490)	(82,058,520)
Proceeds from sales of securities	16,535,645	12,029,991
Proceeds from redemption of securities	67,780,540	68,731,420
Payments for increase in money held in trust	(1,034,037)	(60,902)
Proceeds from decrease in money held in trust	1,380,895	816,726
Payments for loans	(2,971,384)	(2,668,856)
Proceeds from collection of loans	4,547,466	4,750,081
Payments for purchase of tangible fixed assets	(115,485)	(57,894)
Proceeds from sales of tangible fixed assets	6,366	903
Payments for purchase of intangible fixed assets	(52,740)	(104,781)
Payments for share acquisition from minority shareholders	(1,718)	(4,570)
Payments for share acquisition of affiliated companies	(1,200)	–
Proceeds from purchase of shares accompanied by change of scope of consolidation	154	5,844
Others	(62,276)	166,930
Net cash provided by investing activities	**3,283,214**	**1,591,371**
Cash flows from financing activities:		
Proceeds from borrowings	16,140	2,045
Repayments of borrowings	(19,350)	(23,314)
Dividends paid	(8,520)	(27,256)
Cash dividends to minority shareholders	(8)	–
Proceeds from stock issuance to minority shareholders	–	121
Others	(1,694)	(1,360)
Net cash used in financing activities	**(13,432)**	**(49,765)**
Foreign currency translation adjustments on cash and cash equivalents	**575**	**462**
Net increase (decrease) in cash and cash equivalents	**(2,262,381)**	**759,480**
Cash and cash equivalents at beginning of year	**8,660,443**	**6,398,062**
Cash and cash equivalents at end of year	**¥ 6,398,062**	**¥ 7,157,542**

5 Basis of Presentation of Consolidated Financial Statements

Note: Amounts are rounded down to the nearest million yen.
1. Matters concerning the scope of consolidation
(1) Consolidated subsidiaries: 14
Principal companies:
Japan Post Network Co., Ltd.
Japan Post Service Co., Ltd.
Japan Post Bank Co., Ltd.
Japan Post Insurance Co., Ltd.
Of which, JP Express Co., Ltd., altered its position from the current fiscal year due to the acceptance of a third-party allotment capital increase from that company, so that it was made a consolidated subsidiary.
DM Leading Co., Ltd., was excluded from the scope of consolidation following its absorption by JP Biz Mail Co., Ltd.
(Change in accounting policy)
Effective from the current fiscal year, the Company has adopted "Implementation Guidance on Determining a Subsidiary and an Affiliate" (ASBJ Implementation Guidance No.22 May 13, 2008). This change has no impact on the financial statements.
(2) Non-consolidated subsidiaries: 5
Principal companies:
Tokyo Beiyu Co., Ltd.
Nittei Butsuryu Gijutsu Co., Ltd.
The respective and aggregate effect of the companies, which are not accounted for consolidation, on total assets, revenues, surplus in the current fiscal year (amount corresponding to Japan Post Group's equity position), surplus at the end of the fiscal year (amount corresponding to Japan Post Group's equity position), and deferred gains (losses) on derivatives under hedge accounting (amount corresponding to Japan Post Group's equity position) are immaterial. This exclusion from the scope of consolidation does not prevent a reasonable judgment of the consolidated financial position of the Japan Post Group and its subsidiaries and the result of their operations.

2. Matters concerning application of the equity method
(1) Non-consolidated subsidiaries accounted for by the equity method
None
(2) Equity-method affiliates: 2
ANA & JP Express Co., Ltd.
SDP Center Co., Ltd.
JP Express Co., Ltd. is no longer an affiliate due to the alteration of its position to a subsidiary. As such, it is being excluded from equity-method affiliates starting with the current fiscal year.
(3) Non-consolidated subsidiaries not accounted for by the equity method: 5
Principal companies:
Tokyo Beiyu Co., Ltd.
Nittei Butsuryu Gijutsu Co., Ltd.
These non-consolidated subsidiaries are not accounted for under the equity method, since this exclusion has no impact on the consolidated financial statements, considering their net income (loss) (amount corresponding to Japan Post Group's equity position), retained earnings (amount corresponding to Japan Post Group's equity position), net deferred gains (losses) on derivatives under hedge accounting (amount corresponding to Japan Post Group's equity position) and others.
(4) Affiliates not accounted for by the equity method
None

3. Matters concerning the balance sheet dates of consolidated subsidiaries
Fiscal year-end for consolidated subsidiaries
End of March: 14

4. Summary of significant accounting policies
(1) Valuation criteria and methods for trading securities
Trading securities are stated at market value.
(2) Valuation criteria and methods for securities
1) Concerning valuation of securities, held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Bonds earmarked for policy reserves are stated at amortized cost (straight-line method) using the moving-average method based on "Temporary Treatment of Accounting and Auditing Concerning Policy reserve-matching bonds in the Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (JICPA)). Shares of non-consolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the consolidated balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the consolidated balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities that are exceptionally difficult to determine market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.
Net unrealized gains or losses on available-for-sale securities (including gains/losses arising from foreign exchange rate changes, but excluding those securities whose principal is hedged to protect from the risk of potential foreign exchange rate changes) is included in net assets.
2) Securities managed as assets of money held in trust are valued by a method similar to the one stated in 1). The buildings portion of real estate comprising trust assets is stated at amortized cost using the straight-line method. Real estate, excluding buildings, is stated at amortized cost using the declining-balance method.
Valuation and translation adjustments of contribution to society and community funds assets are listed under "Valuation and translation adjustments of contribution to society and community funds" in net assets as prescribed by the provisions of Article 12, Paragraph 4 of the Japan Post Holdings Law.
(3) Valuation criteria and methods for derivative transactions
Derivative transactions are valued by the market value method.
(4) Depreciation methods of fixed assets
1) Tangible fixed assets (excluding leased assets)
For depreciation of tangible fixed assets, depreciation of buildings (excluding structures and equipment) is computed by the straight-line method. Depreciation on tangible fixed assets, other than buildings, is computed using the declining balance method.
Useful lives of principal assets are as follows:
Buildings: 2-65 years
Other: 2-75 years
2) Intangible fixed assets (excluding leased assets)
Amortization of intangible fixed assets, except software intended for internal use, is computed by the straight-line method. The development costs of software intended for internal use are amortized over the expected useful lives of five years by the straight-line method.
3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero or guaranteed value by the straight-line method during the lease term.
(5) Recognition of allowance for doubtful accounts
1) For allowance for doubtful accounts of the Company and its consolidated subsidiaries other than Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., allowance is provided for general accounts receivable using a rate determined by past bad debt experience, Additionally, a reserve is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered to be uncollectible after reviewing their respective collectability.
2) Allowance for doubtful accounts of Japan Post Bank Co., Ltd. is provided for in accordance with the write-off and provision standards as described below:
Loans to normal borrowers and borrowers requiring caution, as provided by "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4), are classified into certain groups, and an allowance is provided for each group based on the estimated rate of loan losses.
For loans to doubtful borrowers, an allowance is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, an allowance is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.
All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset

evaluation department, which is independent from the marketing and other departments, reviews these self-assessments, and the allowance is provided based on the results of the assessment.

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

For all loans and claims, the relevant department in Japan Post Insurance performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims.

(6) Reserve for employees' bonuses

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

(7) Reserve for employees' retirement benefits

1) To provide for the payment of retirement benefits to employees, a necessary amount of reserve for employees' retirement benefits is provided based on the estimated projected benefit obligations on the balance sheet date.

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

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

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

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

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

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

(Changes in accounting policy)

Effective from the current fiscal year, the Company and its consolidated subsidiaries adopted "Partial Amendments to Accounting. Standard for Retirement Benefits (Part 3)" ASBJ Statement No. 19 issued on July 31, 2008. This change has no impact on the financial statements.

(8) Reserve for directors' retirement benefits

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

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

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

(10) Accounting for hedges

1) Hedge accounting for interest rate risks

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

2) Hedge accounting for foreign exchange risks

The Company and its consolidated subsidiaries apply deferred hedges, fair value hedge accounting method, or allocation procedures to hedge foreign exchange fluctuation risk for other foreign currency-denominated securities.

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

(11) Reserve for price fluctuations in security investments

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

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

1) Consumption taxes

All figures are net of consumption taxes.

2) Consolidated tax provision

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

3) Policy reserve

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

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

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

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

5. Assets and liabilities of consolidated subsidiaries

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

6. Matters concerning amortization of goodwill and negative goodwill

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

7. Scope of funds in consolidated of statement of Cash Flows

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

(Additional Information)

Accounting Standard for Financial Instruments

Effective from the current fiscal year, the Company and its consolidated subsidiaries adopted the Accounting Standard for Financial Instruments (ASBJ Statement No.10, March 10, 2008) and the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 10, 2008).

6 Notes to Consolidated Financial Statements

1. Notes to Consolidated Balance Sheets

1. Securities include ¥950 million in shares of non-consolidated subsidiaries and affiliates.
2. For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with repurchase agreements or bond lending transactions secured by cash, the balance of the portion of securities where the Company has the right to unrestricted disposal of securities through sales or the reuse (pledge) as collateral was ¥3,309,375 million.
3. There were no claims against bankrupt obligors, past-due claims, past-due claims (three months or more) and reconstructed claims in loans (loans and bills discounted).
4. Accumulated depreciation of tangible fixed assets: ¥463,864 million
5. Changes in reserve for policyholders' dividends

Amount at the previous fiscal year-end:	¥2,760,430 million
Dividends to policyholders paid in the current fiscal year:	¥397,653 million
Increase in interest:	¥21,483 million
Decrease due to increased annuity purchases:	¥690 million
Provision for reserve for policyholders' dividends:	¥294,394 million
Amount at the end of the current fiscal year:	¥2,677,965 million

6. The policy reserves (except for the risk reserve) related to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance amount to ¥85,186,368 million. The amount was calculated based on the prescribed calculation method for premiums and policy reserves and it will not be lower than the amount calculated by the calculation method for the policy reserves of postal life insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No. 101, 2005).
   In addition, with the reinsurance-related segment used as the source, ¥2,931,741 million in risk reserve and ¥420,622 million in reserve for price fluctuations in security investments are provided.
7. At the end of the current fiscal year, the insurance subsidiary's expected future liabilities for the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act amounted to ¥3,237 million.
   Such burden charges are processed as operating expenses within the consolidated accounting year.

2. Notes to Consolidated Statements of Income

Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, ¥294,394 million is provided for reserve for policyholders' dividends based on the performance of the segment related to reinsurance.

3. Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

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

2. Dividends

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

Cash dividends (paid) of the current fiscal year

(Resolution)	Type of shares	Aggregate amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors on June 29, 2009	Common shares	27,256	181.71	March 31, 2009	June 29, 2009

4. Notes to Consolidated Statements of Cash Flows

1. The reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and due from banks as stated in the consolidated balance sheets as of March 31, 2010 is as follows.

Cash and due from banks:	¥8,012,842 million
Negotiable certificates of deposit held by the banking subsidiary included in cash and due from banks:	¥(1,080,000)million
Negotiable certificates of deposit included in securities:	¥224,700 million
Deposits with maturities of more than 90 days:	–
Cash and cash equivalents:	¥7,157,542 million

2. Contribution to society and community funds included in "Payments for increase in money held in trust" in cash flows from investing activities amounted to ¥10,902 million.

5. Financial Instruments

1. Status of Financial Instruments

(1) Approach to Financial Instruments

The Group is required to manage most financial assets and liabilities owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., in order to avoid adverse effects such as damage to the ability to secure more stable profit or loss for the period due to future interest rate risk and foreign exchange risk, since these assets and liabilities are generally subject to changes in value due to fluctuations in interest.

For the purpose, both companies endeavor to properly manage income and risk by means of asset liability management (ALM), under which framework they enter into transactions in derivatives such as interest rate swaps and foreign exchange futures.

Derivative transactions are identified as a key hedging method against interest rate risk and foreign exchange risk to our investment assets, and we use them for hedging purposes only (not for speculative purposes).

(2) Features and Risks of Financial Instruments

In the Group, financial assets owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., consist mainly of securities such as domestic and overseas securities, in particular government bonds, stock investments through loans and money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate risk, and fair value fluctuation risk.

From an ALM viewpoint, we use interest rate swaps as a means of hedging future price volatility risk and interest rate risk of securities, loans and bills, time and savings deposits, and others in interest rate-related transactions. On the other hand, for currency-related transactions, we use forward foreign exchange transactions and foreign exchange contracts as a means of hedging foreign exchange risk of values assessable at exchange rate of assets in foreign currency owned by Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. The values of redemptions and interest are converted into yen.

When we hedge risk using derivative transactions, the Group applies hedging accounting for transactions meeting certain prescribed requirements in order to limit impacts on financial accounting. Transactions that fail to meet the requirements for hedging accounting are exposed to interest rate and exchange risk.

With respect to methods for evaluating the effectiveness of this hedging, for hedging to offset rate fluctuations, the Company and its consolidated subsidiaries implement hedge designation, for which crucial conditions concerning the hedged interest rates and hedging methods are virtually the same as the requirements for the exceptional treatment for interest rate swaps. Accordingly, such hedges are considered as highly effective, resulting in a substitution for evaluating the effectiveness of the hedging transactions.

(3) Risk Management Framework for Financial Instruments

The "Basic Policy for Group Risk Management" prepared by the Company classifies and defines risk categories managed by Group companies and prescribes basic policy that must be followed by Group companies.

The current status of Group company risk management is periodically reported to the management meeting in which the Group's risk management policies and risk management systems are discussed.

For risks such as market risk, credit risk and other types of risk, each company identifies risks that can be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to measure these risks. The Company manages risk by confirming that the amount of risk measured at each of these two companies is suitable in relation to each company's equity capital.

1) Credit Risk Management
Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify credit risk exposure, respectively in accordance with rules on credit risk management. Moreover, to control credit concentration risk, they provide credit limits for individual companies and corporate groups and supervise these limits during each fiscal year.

2) Market Risk Management
Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify market risk exposure, respectively in accordance with rules on market risk management.

3) Management of Liquidity Risk with Respect to Procurement of Funds
Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., have established indicators for fund procurement and other aspects of operations to manage cash flow risk.

(4) Additional Notes Concerning the Market Value of Financial Instruments
The market value of a financial instrument includes prices based on market quotations as well as rationally calculated prices. In calculating the prices we adopt certain premises and assumptions, and the use of different premises may lead to changes in pricing.

2. Market Values of Financial Instruments and Others
Amounts carried on the balance sheet, market values and the difference between them as of March 31, 2010 are as follows: In the meantime, privately held shares and others for which it is extremely difficult to identify the market values are not included in the table below (see note 2).

(Millions of yen)

	Consolidated balance sheet amount	Market value	Difference between them
(1) Cash and due from banks	8,012,842	8,012,842	–
(2) Call loans	615,538	615,538	–
(3) Receivables under securities borrowing transactions	3,295,301	3,295,301	–
(4) Monetary claims bought	132,141	132,141	–
(5) Trading account securities			
Trading securities	196	196	–
(6) Money held in trust (* 2)	1,205,898	1,205,898	–
(7) Securities			
Held-to-maturity securities	165,521,391	169,551,298	4,029,907
Bonds earmarked for policy reserves	36,268,618	37,164,458	895,839
Available-for-sale securities	56,903,779	56,903,779	–
(8) Loans	20,283,133		
Reserve for possible loan losses (* 3)	(198)		
	20,282,934	21,363,991	1,081,057
(9) Deposits to the fiscal loan fund	2,000,000	2,000,000	–
Total Assets	294,238,643	300,245,447	6,006,804
(1) Deposits	174,787,787	175,206,683	418,895
(2) Payables under securities lending transactions	7,265,185	7,265,185	–
(3) Borrowed money	2,001,240	2,001,241	1
Total Liabilities	184,054,213	184,473,110	418,896
Derivatives (* 4)			
Those with hedge accounting not being applied	208	208	–
Those with hedge accounting being applied	(2,772)	(2,772)	–
Total Derivatives	(2,563)	(2,563)	–

(* 1) Accounts with little significance for consolidated balance sheet amount are omitted.
(* 2) Money held in trust included in society and community funds is included in "Assets (6) Money held in trust."
(* 3) Reserve for general loan losses corresponding to loans has been deducted.
(* 4) Net receivables and payables arising from derivative transactions are stated at net values, and if the values are minus, they are indicated in parentheses. Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward exchange contracts which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly handled with hedged loans and securities. Then their market values are included in the relevant loans and securities.

Note 1: Calculation Method for Market Values of Financial Instruments

Assets

(1) Cash and due from banks
For funds due from banks with no maturity date, market value is close to book value, which is therefore used as market value. For funds due from banks with a maturity date, the contract period is short (within a year), and market value is close to book value, which is therefore used as market value.

(2) Call loans and (3) Receivables under securities borrowing transactions
These are settled within a short term (one year), and their market value is close to book value, which is therefore used as market value.

(4) Monetary claims bought
The price offered by the broker serves as market value.

(5) Trading account securities
The purchase price from the Bank of Japan serves as market value.

(6) Money held in trust
The market value of securities invested in money held in trust, which is solely entrusted for security trading purposes, is based on stock exchange prices for shares, on over-the-counter prices for bonds, or on prices rationally calculated mutatis mutandis on the basis of market quotations.
Property as part of trust assets is stated based on book value.
Notes to money held in trust are given in "7. Money Held in Trust" in accordance with the purpose of the holdings.

(7) Securities
Market value is based on stock exchange prices for shares, on over-the-counter prices for bonds, or on prices rationally calculated mutatis mutandis on the basis of market quotations.
Notes to securities as classified according to the purpose of holding are given in "6. Securities".

(8) Loans
For loans with variable interest rates, which follow market interest rates only over the short term, market value is close to book value unless the obligor's credit standing does not significantly differ after the transaction. Then book value serves as market value.
For those with fixed interest rates, market value is based on a net present value discounted by future cash flow. For loans which amounts are limited to the values of corresponding collateral and which have no fix date of repayments, their market values are used as book values considering the term and conditions.

(9) Deposits to the fiscal loan fund
These are settled within a short term (one year), and their market value is close to book value, which is therefore used as market value.

Liabilities

(1) Deposits
For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed market value. For the market value of the time and savings deposits, net present value is discounted by future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.

(2) Payables under securities lending transactions and (3) Borrowed money
For those settled within a short term (one year), their market value is close to book value, which is therefore used as market value. For borrowed money with an agreed period over a year, an interest rate expected for similar borrowing is deducted from the principal and interest in order to compute a net present value.

Derivatives

Derivatives consist of interest rate-related transactions (interest rate swaps and others) and currency-related transactions (exchange contracts and others). Then market value is based on over-the-counter prices or value obtained from the net present value.

Note 2: Financial instruments for which it is deemed extremely difficult to identify the market values are as shown below; they are not included in "Assets (7) Securities" under information concerning market values of financial instruments.

(Millions of yen)

Classifications	Consolidated balance sheet amount
Privately held shares (Note)	141,103
Others	10
Total	141,113

Note: Since privately held shares have no market quotations and it is deemed extremely difficult to identify their market values, they are not disclosed at market value.

Note 3: Amount to Be Redeemed after the Balance Sheet Date for Monetary Claims and Securities with Maturity

(Millions of yen)

	Within a year	Over a year Within 3 years	Over 3 years Within 5 years	Over 5 years Within 7 years	Over 7 years Within 10 years	Over 10 years
Due from banks	6,534,081	–	–	–	–	–
Call loans	615,538	–	–	–	–	–
Receivables under securities borrowing transactions	3,295,301	–	–	–	–	–
Monetary claims bought	2,440	27,993	11,953	3,347	1,766	84,640
Securities						
Held-to-maturity securities	22,198,705	47,218,461	30,904,356	29,772,802	24,257,130	11,169,935
Bonds earmarked for policy reserves	3,947,421	5,338,960	9,292,126	8,214,650	4,778,046	4,697,411
Available-for-sale securities with maturity	15,876,632	14,103,752	8,837,966	4,322,517	7,904,051	4,788,467
Loans	3,570,453	3,006,065	3,122,845	2,470,716	3,057,825	5,055,226
Deposits to the Fiscal Loan Fund	2,000,000	–	–	–	–	–
Total	58,040,575	69,695,233	52,169,247	44,784,034	39,998,821	25,795,681

Note 4: Amount to Be Repaid after the Balance Sheet Date for Borrowed Money and Other Liabilities with Interest

(Millions of yen)

	Within a year	Over a year Within 3 years	Over 3 years Within 5 years	Over 5 years Within 7 years	Over 7 years Within 10 years	Over 10 years
Deposits (Note)	93,267,106	13,432,696	7,747,545	13,491,067	46,849,371	–
Payables under securities lending transactions	7,265,185	–	–	–	–	–
Borrowed money	2,000,952	288	–	–	–	–
Total	102,533,244	13,432,984	7,747,545	13,491,067	46,849,371	–

Note: The demand deposits are included in "Within a year".

6. Securities

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

1. Trading account securities (as of March 31, 2010)
   No net unrealized gain/losses are charged to period income from trading account securities.
2. Held-to-maturity securities (as of March 31, 2010)

(Millions of yen)

	Type	Consolidated balance sheet amount	Market value	Difference between them
With a market value exceeding consolidated balance sheet amount	Japanese government bonds	144,696,823	148,359,460	3,662,637
	Japanese local government bonds	6,545,604	6,758,726	213,122
	Japanese corporate bonds	8,369,519	8,574,818	205,299
	Others	22,129	26,744	4,615
	Subtotal	159,634,077	163,719,750	4,085,673
With a market value not exceeding consolidated balance sheet amount	Japanese government bonds	4,975,618	4,925,970	(49,647)
	Japanese local government bonds	474,343	470,389	(3,954)
	Japanese corporate bonds	437,352	435,188	(2,164)
	Others	–	–	–
	Subtotal	5,887,314	5,831,548	(55,766)
Total		165,521,391	169,551,298	4,029,907

3. Bonds earmarked for policy reserves (as of March 31, 2010)

(Millions of yen)

	Type	Consolidated balance sheet amount	Market value	Difference between them
With a market value exceeding consolidated balance sheet amount	Japanese government bonds	28,896,176	29,810,465	914,288
	Japanese local government bonds	1,734,993	1,780,379	45,385
	Japanese corporate bonds	1,808,055	1,836,365	28,310
	Others	–	–	–
	Subtotal	32,439,225	33,427,210	987,984
With a market value not exceeding consolidated balance sheet amount	Japanese government bonds	3,753,707	3,661,792	(91,914)
	Japanese local government bonds	74,685	74,454	(230)
	Japanese corporate bonds	1,000	1,000	(0)
	Others	–	–	–
	Subtotal	3,829,392	3,737,247	(92,144)
Total		36,268,618	37,164,458	895,839

4. Available-for-sale securities (as of March 31, 2010)

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition Cost	Difference between them
With consolidated balance sheet amount exceeding acquisition cost	Shares	125	123	2
	Bonds	39,076,412	38,510,998	565,413
	Japanese government bonds	29,978,674	29,617,067	361,607
	Japanese local government bonds	1,472,565	1,436,614	35,950
	Short-term corporate bonds	–	–	–
	Japanese corporate bonds	7,625,172	7,457,317	167,855
	Others	4,169,033	4,073,744	95,288
	Subtotal	43,245,571	42,584,867	660,704

With Consolidated balance sheet amount not exceeding acquisition cost	Shares	16,508	19,186	(2,678)
	Bonds	12,315,675	12,323,056	(7,380)
	Japanese government bonds	11,222,831	11,227,122	(4,290)
	Japanese local government bonds	115,190	115,548	(357)
	Short-term corporate bonds	364,959	364,959	–
	Japanese corporate bonds	612,694	615,426	(2,732)
	Others	3,430,766	3,455,271	(24,505)
	Subtotal	15,762,950	15,797,514	(34,564)
Total		59,008,521	58,382,381	626,139

5. Held-to-maturity securities sold during the fiscal year
(From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Cost of securities sold	Sales amount	Gain/loss on sales
Japanese government bonds	2,690,177	2,691,369	1,192
Total	2,690,177	2,691,369	1,192

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

6. Bonds earmarked for policy reserves sold during the fiscal year
(From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Japanese government bonds	1,867,517	7,592	1
Total	1,867,517	7,592	1

7. Available-for-sale securities sold during the fiscal year
(From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Shares	31	1	1
Bonds	7,272,277	13,297	1,385
Japanese government bonds	7,268,380	13,288	1,371
Japanese corporate bonds	3,897	8	14
Others	260,657	2,288	26,710
Total	7,532,966	15,587	28,097

7. Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2010)
   None
2. Money held in trust classified as held-to-maturity (As of March 31, 2010)
   None
3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2010)

(Millions of yen)

	Consolidated balance sheet amount	Acquisition cost	Difference between them	With the amount carried on the balance sheet exceeding acquisition cost	With the amount carried on the balance sheet not exceeding acquisition cost
Other money held in trust	1,205,898	1,122,642	83,255	128,298	(45,042)

Note 1: Money held in trust in contribution to society and community funds is included in the above table.
Note 2: "With the amount carried on the balance sheet exceeding acquisition cost" and "With the amount carried on the balance sheet not exceeding acquisition cost" are net unrealized gain and loss, respectively.

8. Retirement Benefit Plans

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

2. Information about retirement benefit obligation

(Millions of yen)

2010 (As of March 31, 2010)	
Retirement benefit obligation	(3,506,180)
Pension assets	11,853
Unfunded retirement benefit obligation	(3,494,327)
Unrecognized actuarial differences	(83,712)
Unrecognized prior service cost	(3,270)
Net amount on Balance Sheet	(3,581,310)
Reserve for employees' retirement benefits	(3,581,310)

3. Information about retirement benefit expenses

(Millions of yen)

2010 (From April 1, 2009 to March 31, 2010)	
Service cost	116,389
Interest cost	60,628
Expected return on pension assets	(238)
Amortization of prior service cost	(197)
Amortization of actuarial differences	(3,863)
Retirement benefit expenses	172,718

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

4. Basis for calculation of retirement benefit obligation

2010 (As of March 31, 2010)	
Discount rate:	1.6～2.0%
Expected rate of return on pension assets:	2.0%
Recognition method of projected retirement benefit:	Straight-line method over the determined period
Amortization of prior service cost:	8～14 years
Method of amortizing actuarial differences:	8～14 years

9. Per Share Information

(yen)

2010 (From April 1, 2009 to March 31, 2010)	
Net assets per share	64,165.72
Net income per share	3,001.47

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

10. Additional Information

Dissolution of a Significant Consolidated Subsidiary
Japan Post Service Co., Ltd., a consolidated subsidiary, decided to take over the assets from JP Express Co., Ltd., its subsidiary, and to thereupon dissolve and settle the latter in order to maintain a high level of customer service and build up a strong business foundation in parcel delivery operations with respect to the integration of both companies' parcel delivery operations. The decision is in accordance with resolutions passed at meetings of the Board of Directors on December 24, 2009, and January 29, 2010, as well as a Letter of Understanding exchanged by Japan Post Service and Nippon Express Co., Ltd., on December 24, 2009, and an Agreement in Detail exchanged by Japan Post Service and Nippon Express Co., Ltd., on January 29, 2010.

1. Overview of the Dissolved Consolidated Subsidiary

Company name	JP Express Co., Ltd.
Head office location	2-10-1, Toranomon, Minato-ku Tokyo
Function and full name of the representative	Ikuo Shirakane, Chairman & CEO
Lines of business	Parcel delivery and associated operations
Capital stock	¥25,000 million
Date of establishment	June 2, 2008
Shareholders and proportional ownership	Japan Post Service Co., Ltd. 86%; Nippon Express Co., Ltd. 14%

2. Schedule of Dissolution
July 1, 2010
The transfer from JP Express Co., Ltd., to Japan Post Service Co., Ltd., enters into force.
As soon as possible during or after July 2010
JP Express Co., Ltd., will be dissolved.

11. Risk-Monitored Loans

	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Bankrupt loans	–	–
Non-accrual delinquent loans	–	–
Past-due loans (three months or more)	–	–
Restructured loans	–	–

12. Subsequent Events

None

7 Capital Adequacy

1. Qualitative Disclosure

1. Scope of consolidation

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

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

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

Further details on Japan Post Insurance Co., Ltd. are presented on pages 51 through 60.

(2) Number of consolidated subsidiaries and principal subsidiaries

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

Principal subsidiaries are: Japan Post Service Co., Ltd., Japan Post Network Co., Ltd. and Japan Post Bank Co., Ltd. See pages 20 through 50 for details on activities of the individual companies.

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

None

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

1) Companies to which Item (ii) is applicable
Tokyo Beiyu Co., Ltd., Nittei Butsuryu Gijutsu Co., Ltd., Nagoya Yubin Yuso Co., Ltd., Kinki Kosoku Yubin Yuso Co., Ltd. and Osaka Air Mail Co., Ltd.

2) Companies to which Item (iii) is applicable:
Japan Post Insurance Co., Ltd.

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

None

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

None

2. Summary of capital funding methods

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

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

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2010 calculated in accordance with the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice was 69.77% (Tier I ratio was 78.47%). This level is substantially higher than the 4% capital adequacy ratio required as a minimum standard for banks that operate only in Japan. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risks. A figure for market risk is not included.

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

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "4. Group Risk Management" on pages 70 through 73 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

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

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

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

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

The Risk Management Department is responsible for the internal credit rating system, self-assessments of loans and other credit risk activities. The Credit Office is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

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

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

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards from the "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc. Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by marketing departments and then audited by asset assessment departments' independent thereof.

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

(2) Portfolios where the standardized approach is applied

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

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

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

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

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

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

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

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

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

■ Types of qualified financial collateral

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

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

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

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

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

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

This does not currently apply to Japan Post Bank.

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

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

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

None

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

None

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

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

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

The collateral concerning derivative transactions provided as of March 31, 2010 was ¥3,482 million.

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

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

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

The allocation of capital for taking on risk for derivative transactions is the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and procedures

As an investor, Japan Post Bank is exposed to risks associated with securitization. When purchasing securitization exposure, the Bank provides credit limits based on obligor ratings assigned in accordance not only with external credit ratings but also with the Bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors.

Following a purchase, the Bank monitors external credit ratings, the status of recovering underlying assets and other factors. In addition, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk.

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

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

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

(4) Qualified rating agencies used in making judgments on risk weights for securitization exposure by category
Japan Post Bank uses the ratings of four credit rating agencies for the calculation of credit risk assets for securitization exposure: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

8. Operational risk

(1) Summary of risk management policy and procedures
The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives, employees or computer systems, or by external events.

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

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

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

(2) The name of method used for the calculation of an amount equivalent to operational risk
Japan Post Bank uses the "basic indicator approach" prescribed in the Capital Adequacy Ratio Notice with regard to the calculation of an amount equivalent to operational risk.

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

Japan Post Bank, which is a company engaged in the banking business that belongs to the holding company's group as prescribed in the consolidated Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the bank based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, in accordance with the Bank's equity capital and other indicators of financial resources.

10. Interest rate risk in the banking account

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

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

When measuring the volume of market risk, Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, in accordance with the Bank's equity capital and other indications of financial resources. In addition, Japan Post Bank performs stress tests to simulate extreme market volatility that exceeds the range of statistical estimates.

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

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

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

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

2. Quantitative Disclosure

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

Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall among companies qualifying for deduction to capital in accordance with Article 8, Paragraph 1-2, Items (a) to (c) and Article 20, Paragraph 1-2, Items (a) to (c) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice

None

2. Capital structure

Consolidated capital ratio (domestic standard)

(Millions of yen)

Item		March 31, 2009	March 31, 2010
Core capital (Tier 1)	Capital stock	3,500,000	3,500,000
	Of which non-accumulating permanent preferred stock	–	–
	Deposit for subscription to shares	–	–
	Capital surplus	4,503,856	4,503,856
	Retained earnings	684,917	1,032,802
	Treasury stock (deduction)	–	–
	Deposit for subscription to treasury stock	–	–
	Amount scheduled for disbursement (deduction)	(27,256)	(36,346)
	Net unrealized losses on available-for-sale securities (deduction)	–	–
	Foreign currency translation adjustments	–	–
	Stock acquisition rights	–	–
	Minority interests in consolidated subsidiaries	959	1,104
	Preferred securities issued by foreign Special Purpose Companies (SPCs)	–	–
	Trade rights equivalents (deduction)	–	–
	Goodwill equivalents (deduction)	(4)	(17)
	Intangible fixed assets equivalents recognized as a result of merger (deduction)	–	–
	Amount equivalent to increase in shareholders' equity resulting from securitization transactions (deduction)	–	–
	Deduction for deferred tax assets (deduction)	–	–
	Total core capital (Tier I) (A)	8,662,471	9,001,398
	Equity securities, etc., with probability of being redeemed (carrying covenant regarding step-up interest rate) (Note 3)	–	–
Supplementary capital (Tier 2)	Amount equivalent to 45% of the difference between reappraised land value and book value immediately before revaluation	–	–
	Allowance for doubtful accounts (general reserve)	2,239	1,829
	Capital raised through debt financing	–	–
	Total supplementary capital, Tier II capital (B)	2,239	1,829
Sub-supplementary capital (Tier 3)	Short-term subordinated debt	–	–
	Total sub-supplementary capital, Tier III capital (C)	–	–
Deduction item	Total of deduction items (D) (Note 4)	1,000,169	1,000,169
(Total) qualifying capital	(Total) qualifying capital (A+B+C-D)(E)	7,664,542	8,003,059
(Total) risk-adjusted assets	Assets (on-balance-sheet items)	7,067,982	7,458,110
	Off-balance-sheet transactions, etc.	73,249	20,987
	Amount of market risk equivalent, divided by 8%	–	–
	Amount of operational risk equivalent, divided by 8%	4,193,000	3,990,922
	(Total) risk-adjusted assets (F)	11,334,231	11,470,020
Consolidated capital ratio (domestic standard) (E/F) x 100 (%)		67.62%	69.77%
Tier 1 ratio (A/F) x 100 (%)		76.42%	78.47%

Note 1: The above data is calculated in line with the provisions of Article 52-25 of the Banking Act and on the basis of calculation formulae prescribed under the criteria to be used by a Bank Holding Company for deciding whether or not the adequacy of equity capital of the Bank Holding Company and its Subsidiary Companies is appropriate in light of the circumstances such as the assets owned by that Bank Holding Company and its Subsidiaries (Financial Services Agency Notification No. 20 of 2006). The data is calculated on a consolidated basis and according to the domestic standard. It is also calculated based on "Exceptional notification of Capital Ratio" (Financial Services Agency (FSA) Notification No. 79 of 2008).

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

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

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

3. Capital adequacy

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

(Millions of yen)

	Item	March 31, 2009	March 31, 2010
1	Cash	–	–
2	Japanese government and the Bank of Japan	–	–
3	Foreign national governments and central banks	50	803
4	Bank for International Settlements, etc.	–	–
5	Japanese local governments and their agencies	–	–
6	Foreign public-sector entities other than national governments	1,571	2,353
7	International development banks	–	–
8	Japan Finance Organization for Municipalities	562	1,129
9	Japanese national government-affiliated agencies	18,963	18,547
10	Three regional public corporations	0	0
11	Financial institutions and type 1 financial instruments business operators	40,597	34,211
12	Corporate	53,813	85,615
13	Small and medium-sized enterprises and individuals	7	8
14	Residential housing mortgages	–	–
15	Project finance (acquisition of real estate)	–	–
16	Past due (three months or more)	65	68
17	Outstanding drafts	–	–
18	Guaranteed by Credit Guarantee Association	0	–
19	Guaranteed by Industrial Revitalization Corporation of Japan	–	–
20	Investments in capital and others	43,607	38,458
21	Other than above	122,118	115,210
22	Securitization (originator only)	–	–
23	Securitization (excluding originator)	1,362	1,917
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	–	–
	Total	282,719	298,324

Note: Required capital: Amount of credit risk assets × 4%

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

(Millions of yen)

	Item	March 31, 2009	March 31, 2010
1	Commitment lines that can be cancelled automatically or unconditionally at any time	–	–
2	Commitment lines with original contracts of one year or less	9	4
3	Short-term trade contingent liabilities	–	–
4	Contingent liabilities arising from specific transactions	–	–
	(principal reimbursement trust deeds with restructuring)	–	–
5	NIF or RUF	–	–
6	Commitment lines with an original duration of one year or longer	–	54
7	Contingent liabilities arising from directly substituted credit	–	–
	(of which secured with loan guarantees)	–	–
	(of which secured with securities)	–	–
	(of which secured with drafts)	–	–
	(of which principal reimbursement trust deeds without restructuring)	–	–
	(of which secured with credit derivative protection)	–	–
8	Assets sold with repurchase agreements or assets sold with right of claim (adjusted)	–	–
	Assets sold with repurchase agreements or assets sold with right of claim (not adjusted)	–	–
	Deduction	–	–
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	–	–
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	2,765	63
11	Derivative transactions	155	717
	(1) Foreign exchange related transactions	109	387
	(2) Interest rate related transactions	42	319
	(3) Gold-related transactions	–	–
	(4) Equity security related transactions	–	–
	(5) Precious metal related transactions (excluding gold)	–	–
	(6) Other commodity-related transactions	–	–
	(7) Credit derivative transactions (counterparty risk)	3	**11**
	Write-off of credit equivalent amount under close-out netting agreement (deduction)	–	–
12	Long-term settlements	0	–
13	Outstanding transaction	–	–
14	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	–	–
15	Off-balance-sheet securitization exposure other than the above	–	–
	Total	2,929	839

Note: Required capital: Amount of credit risk assets × 4%

(3) Amount of required capital for operational risk

(Millions of yen)

Item	March 31, 2009	March 31, 2010
Basic indicator approach	167,720	159,636
Total	167,720	159,636

Note: Required capital: Amount of operational risk equivalent ÷ 8% × 4%

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

(Millions of yen)

Item	March 31, 2009	March 31, 2010
Consolidated capital adequacy ratio	67.62%	69.77%
Consolidated Tier I capital ratio	76.42%	78.47%
Total amount of consolidated required capital	453,369	458,800
Credit risk-adjusted assets × 4%	285,649	299,163
Assets (on-balance-sheet items) × 4%	282,719	298,324
Off-balance-sheet transactions, etc. × 4%	2,929	839
Amount of operational risk equivalent ÷ 8% × 4%	167,720	159,636

4. Credit risk

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

(Millions of yen)

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

Counterparts		March 31, 2010				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	**Sovereign**	9,353,798	162,666,816	–	22,387	172,043,002
	Financial institutions	73,859,425	6,926,143	71,793	84,256	80,941,618
	Corporations, etc.	505,905	6,504,604	–	296,233	7,306,743
	Small and medium-sized enterprises and individuals	–	–	–	375	375
	Others (excluding the above)	3,268,520	752,417	300	4,044,173	8,065,412
	Domestic total	86,987,650	176,849,981	72,093	4,447,426	268,357,153
Overseas total		–	–	–	–	–
Total		86,987,650	176,849,981	72,093	4,447,426	268,357,153

Note 1: All subsidiaries other than Japan Post Bank Co., Ltd. do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.
Note 2: “Domestic” and “overseas” refer to the domicile of the main branch (head office).
Note 3: “Loans and deposits” include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: “Bonds” include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: “Derivatives” include interest rate swaps and forward foreign exchange contracts.
Note 6: “Sovereign” includes central governments, central banks, local governments, etc.
Note 7: “Financial institutions” include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type 1 financial instruments business operators.
Note 8: “Corporations, etc.” include Foreign public-sector entities other than national governments, Japanese government agencies, three regional public corporations and corporations.
Note 9: In calculating credit risk, credit risk related to exposure of certain subsidiaries which are unlikely to have any significant effect in the context of the overall exposure is included in “corporations, etc.” and “others” under “others (excluding the above).” “Others” under “others (excluding the above)” includes fixed assets in the amount of ¥2,842.9 billion at the end of March 2010 (¥2,881.5 billion at the end of March 2009).

(2) Credit risk exposure by maturity

(Millions of yen)

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

Remaining period	March 31, 2010				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	74,147,590	34,478,583	595	393,779	109,020,549
Over 1 year to 3 years	348,974	52,205,638	5,613	–	52,560,226
Over 3 years to 5 years	532,830	34,003,203	19,078	20	34,555,132
Over 5 years to 7 years	468,090	27,719,473	8,105	–	28,195,669
Over 7 years to 10 years	2,325,839	24,274,627	38,496	3,478	26,642,441
Over 10 years	2,919,154	4,168,454	205	–	7,087,814
Perpetual	6,245,170	–	–	4,050,148	10,295,319
Total	86,987,650	176,849,981	72,093	4,447,426	268,357,153

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 2: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 3: "Derivatives" include interest rate swaps and forward foreign exchange contracts.
Note 4: "Others" under "Perpetual" includes fixed assets in the amount of ¥2,842.9 billion at the end of March 2010 (¥2,881.5 billion at the end of March 2009).

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

(Millions of yen)

Counterparts		March 31, 2009					March 31, 2010				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereign	–	–	–	–	–	–	–	–	–	–
	Financial institutions	–	–	–	–	–	–	–	–	–	–
	Corporations, etc.	–	–	–	3	3	–	–	–	0	0
	Small and medium-sized enterprises and individuals	–	–	–	85	85	–	–	–	96	96
	Others (excluding the above)	–	–	–	2,351	2,351	–	–	–	2,915	2,915
	Domestic total	–	–	–	2,440	2,440	–	–	–	3,012	3,012
Overseas total		–	–	–	–	–	–	–	–	–	–
Total		–	–	–	2,440	2,440	–	–	–	3,012	3,012

Note 1: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 2: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 3: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 4: "Derivatives" include interest rate swaps and forward foreign exchange contracts.
Note 5: "Sovereign" includes central governments, central banks, local governments, etc.
Note 6: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type 1 financial instruments business operators.
Note 7: "Corporations, etc." include Foreign public-sector entities other than national governments. Japanese government agencies, three regional public corporations and corporations.
Note 8: In calculating credit risk, credit risk related to exposures at certain subsidiaries which are unlikely to have any significant effect in the context of the overall credit exposure is included in "corporations," and "others" under "others (excluding the above)."

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

Year-end balance

(Millions of yen)

	March 31, 2009	March 31, 2010
Allowance for doubtful accounts (general reserve)	112	178
Allowance for doubtful accounts (specific reserve)	–	–
Allowance for doubtful accounts (overseas claims reserve)	–	–

Note 1: Allowance for doubtful accounts represents an allowance for possible losses on loans only.
Note 2: Allowance for doubtful accounts (general reserve) is not classified by region, industry and customer.

Change during the period

(Millions of yen)

	2009 (Year ended March 31, 2009)	2010 (Year ended March 31, 2010)
Allowance for doubtful accounts (general reserve)	103	66
Allowance for doubtful accounts (specific reserve)	–	–
Allowance for doubtful accounts (overseas claims reserve)	–	–

(5) The amount of write-off of loans by industry and customer
There were no write-offs.
(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	March 31, 2009		March 31, 2010	
	Rated	Not rated	Rated	Not rated
0%	175,751,946	88,790,976	172,849,006	77,175,810
10%	–	5,521,771	–	5,012,935
20%	7,917,505	36	7,097,899	40
35%	–	–	–	–
50%	825,325	2,221	1,420,591	2,825
75%	–	243	–	279
100%	134,975	4,422,741	589,145	4,208,415
150%	124	219	15	187
350%	–	–	–	–
Other	–	–	–	–
Capital deductions	–	–	–	–
Total	184,629,876	98,738,210	181,956,658	86,400,494

Note 1: Ratings include only those rated by eligible rating agencies.
Note 2: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Company records exposure amounts in weighted categories after the application of credit risk mitigation techniques.

5. Credit risk mitigation methodology

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	March 31, 2009		March 31, 2010	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Self-deposits of Japan Post Bank (Note 1)	78,604,285	93.03%	69,565,368	90.66%
Guarantees (Note 2)	5,883,870	6.96%	7,163,308	9.33%
Total	84,488,155	100.00%	76,728,677	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and marketable securities as qualified financial collateral.
Note 2: Principal guarantor is a national government or corporate entity to which a lower risk weighting than the guaranteed obligation is applied.
Note 3: Exposure amount included in funds such as investment trusts are not included herein.

6. Derivative transactions and transactions with long-term settlements

Derivative transactions and long-term settlements

(Millions of yen)

Item	March 31, 2009			March 31, 2010		
	Aggregate sum of amounts of gross reconstruction costs	Aggregate sum of gross add-on amounts	Net credit equivalents	Aggregate sum of amounts of gross reconstruction costs	Aggregate sum of gross add-on amounts	Net credit equivalents
Interest rate related transactions						
Interest rate swaps	303	4,335	4,638	12,337	22,062	34,399
Currency-related transactions						
Forward foreign exchange contracts	23	11,526	11,549	5,200	32,494	37,694
Long-term settlements	0	–	0	–	–	–
Total	327	15,861	16,189	17,537	54,556	72,093

Note 1: Net credit equivalent are calculated by the "current exposure method."
Note 2: There were no risks mitigated using the risk mitigation by collateral method and credit derivatives.
Note 3: Limited to transactions on which gross reconstruction costs are not less than zero.
Note 4: In accordance with Article 57, Paragraph 1 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, derivatives do not include foreign exchange related transactions with original contract periods of five days or less.
Note 5: Long-term settlement period transactions are transactions resulting from receipt/delivery of securities with transaction settlement periods of five trading days or longer.
Note 6: Derivative transactions and transactions with long-term settlements included in funds such as investment trusts are not included herein.

7. Securitization exposure

Securitization exposure in which the Group invests:

(1) Breakdown by type of original asset

(Millions of yen)

Type of original asset	March 31, 2009	March 31, 2010
Residential mortgages	87,598	114,061
Auto loans	13,592	16,864
Leases	19,581	41,256
Consumer loans	13,742	11,647
Corporate entities and others	71,669	91,352
Others	–	13,637
Total	206,184	288,819

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

(Millions of yen)

Risk weight	March 31, 2009		March 31, 2010	
	Capital invested	Required capital	Capital invested	Required capital
To 20%	71,669	286	98,147	392
20%	134,514	1,076	190,672	1,525
50%	–	–	–	–
100%	–	–	–	–
150%	–	–	–	–
Capital deductions	–	–	–	–
Total	206,184	1,362	288,819	1,917

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

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

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

8. Market risk

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

9. Equity exposure in the banking account

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

(Millions of yen)

	March 31, 2009		March 31, 2010	
	Amount carried on the consolidated balance sheet	Market Value	Amount carried on the consolidated balance sheet	Market Value
Listed equities exposure	–	–	–	–
Investment and equities exposure not corresponding to listed equities exposure	67,379	–	162,605	–
Total	67,379	–	162,605	–

Note 1: Equity securities managed in money held in trust are not included.

Note 2: Exposures for which it is deemed extremely difficult to identify market values without market quotations are not disclosed at market value as well as the method of calculating the market value of financial instruments.

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

(Millions of yen)

	2009 (Year ended March 31, 2009)	2010 (Year ended March 31, 2010)
Gain (Loss)	–	–
Gain on sale	–	–
Loss on sale	–	–
Amortization	–	–

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

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

(Millions of yen)

	2009 (Year ended March 31, 2009)	2010 (Year ended March 31, 2010)
Amounts of valuation gains and losses recognized on Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	(82)	1,394

Note: Shares with market quotations are listed.

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

(Millions of yen)

	2009 (Year ended March 31, 2009)	2010 (Year ended March 31, 2010)
Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	–	–

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

10. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used

11. Interest rate risk in the banking account

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

(Billions of yen)

	March 31, 2009	March 31, 2010
Losses in economic value	1,808.3	2,022.7

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

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

The balance sheets as of March 31, 2010 and 2009 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Assets		
Current assets (excluding contribution to society and community funds assets)		
Cash and deposits	¥ 13,935	¥ 46,066
Accounts receivable	101,253	162,423
Securities	—	8,400
Inventories	1,014	1,239
Short-term loan	110	110
Prepaid expenses	62	86
Others	147	533
Allowance for doubtful accounts	(29)	(25)
Total current assets	116,493	218,834
Non-current assets (excluding contribution to society and community funds assets)		
Tangible fixed assets		
Buildings: net	43,377	41,375
Structures: net	791	737
Machinery: net	559	681
Vehicles: net	128	79
Tools and fixtures: net	40,148	31,614
Land	94,465	93,685
Construction in progress	308	145
Total tangible fixed assets	179,779	168,320
Intangible fixed assets		
Software	28,366	25,659
Others	1,204	1,972
Total intangible fixed assets	29,571	27,631
Investments and other assets		
Stock of related parties	9,194,774	9,194,874
Long-term prepaid expenses	122	228
Claims in bankruptcy	82	86
Others	121	110
Allowance for doubtful accounts	(82)	(86)
Total investments and other assets	9,195,019	9,195,214
Total non-current assets	9,404,370	9,391,165
Contribution to society and community funds assets		
Money held in trust	4,395	15,504
Total contribution to society and community funds assets	4,395	15,504
Total Assets	**¥ 9,525,259**	**¥ 9,625,504**

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Liabilities		
Current liabilities		
Accounts payable	¥ 31,370	¥ 15,311
Income taxes payable	68,334	131,610
Consumption taxes payable	823	1,528
Accrued expenses	1,332	3,149
Reserve for employees' bonuses	2,290	2,299
Others	599	793
Total current liabilities	104,750	154,693
Long-term liabilities		
Reserve for employees' retirement benefits	1,238,286	1,165,196
Reserve for directors' retirement benefits	73	69
Reserve for compensation for accidents in the course of duty	27,586	26,460
Deferred tax liabilities	6,208	12,176
Others	1,240	1,584
Total long-term liabilities	1,273,394	1,205,487
Total Liabilities	**¥ 1,378,144**	**¥ 1,360,180**
Net Assets		
Shareholders' equity		
Capital stock	¥ 3,500,000	¥ 3,500,000
Capital surplus		
Capital reserve	4,503,856	4,503,856
Total capital surplus	4,503,856	4,503,856
Retained earnings		
Other retained earnings		
Unappropriated retained earnings	128,039	231,633
Total retained earnings	128,039	231,633
Total shareholders' equity	8,131,895	8,235,489
Contribution to society and community funds	15,162	29,701
Valuation and translation adjustments of contribution to society and community funds	56	132
Total Net Assets	**¥ 8,147,114**	**¥ 8,265,323**
Total Liabilities and Net Assets	**¥ 9,525,259**	**¥ 9,625,504**

2 Statements of Income

(Millions of yen)

Item	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Operating income		
Commissions from subsidiaries and affiliates	¥ 19,695	¥ 16,490
Dividend income from affiliated companies	41,341	84,543
Income from consigned businesses	83,467	84,615
Subsidies related to former savings accounts	97,732	73,008
Income from medical services	23,193	23,190
Income from accommodation services	37,668	35,238
Total operating income	**303,099**	**317,087**
Operating expenses		
Expenses for consigned businesses	83,307	69,817
Expenses for medical services	28,253	28,964
Expenses for accommodation services	42,871	38,447
Administrative expenses	41,493	35,517
Total operating expenses	**195,925**	**172,747**
Net operating income	**107,173**	**144,339**
Other income		
Rents received	3,143	3,157
Others	914	857
Total other income	**4,058**	**4,015**
Other expenses		
Interest expenses	134	17
Lease cost	961	897
Others	255	378
Total other expenses	**1,352**	**1,293**
Income (expenses) from contribution to society and community fund assets		
Income from contribution to society and community fund assets	40	118
Expenses for contribution to society and community fund assets	0	0
Total income from contribution to society and community fund assets	**40**	**117**
Net ordinary income	**109,919**	**147,179**
Extraordinary gains		
Gains on sales of fixed assets	19	—
Reversal of pension mutual aid program contribution	3,922	—
Reversal of reserves for indemnification and litigation	—	246
Gain on donated fixed assets	—	111
Other extraordinary gains	12	7
Total extraordinary gains	**3,954**	**366**
Extraordinary losses		
Losses on disposal of fixed assets	3,988	154
Impairment losses	2,358	2,879
Other extraordinary losses	590	248
Total extraordinary losses	**6,937**	**3,281**
Net income before income taxes	**106,936**	**144,263**
Income taxes current	(6,525)	(7,041)
Income taxes deferred	4,436	5,915
Total income taxes	**(2,089)**	**(1,125)**
Net income	**¥ 109,026**	**¥ 145,389**

3 Statements of Changes in Net Assets

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥3,500,000	¥3,500,000
Balance at the end of the current fiscal year	3,500,000	3,500,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	4,503,856	4,503,856
Balance at the end of the current fiscal year	¥4,503,856	¥4,503,856
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	¥ 38,435	¥ 128,039
Changes during the period		
Cash dividends	(8,520)	(27,256)
Net income for the period	109,026	145,389
Contribution to society and community funds	(10,902)	(14,538)
Total changes during the period	89,603	103,594
Balance at the end of the current fiscal year	¥ 128,039	¥ 231,633
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥8,042,291	¥8,131,895
Changes during the period		
Cash dividends	(8,520)	(27,256)
Net income for the period	109,026	145,389
Contribution to society and community funds	(10,902)	(14,538)
Total changes during the period	89,603	103,594
Balance at the end of the current fiscal year	¥8,131,895	¥8,235,489
Contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ 4,259	¥ 15,162
Changes during the period		
Net changes other than shareholders' equity	10,902	14,538
Total changes during the period	10,902	14,538
Balance at the end of the current fiscal year	¥ 15,162	¥ 29,701

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Valuation and translation adjustments of contribution to society and community funds		
Balance at the end of the previous fiscal year	¥ —	¥ 56
Changes during the period		
Net change other than shareholders' equity	56	76
Total changes during the period	56	76
Balance at the end of the current fiscal year	¥ 56	¥ 132
Total net assets		
Balance at the end of the previous fiscal year	¥8,046,551	¥8,147,114
Changes during the period		
Cash dividends	(8,520)	(27,256)
Net income for the period	109,026	145,389
Contribution to society and community funds	(10,902)	(14,538)
Net changes other than shareholders' equity	10,959	14,615
Total changes during the period	100,563	118,209
Balance at the end of the current fiscal year	¥8,147,114	¥8,265,323

4 Significant Accounting Policies

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

1. Significant Accounting Policies

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

(1) Shares of subsidiaries and shares of affiliates are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.

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

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

2. Valuation criteria and methods for inventories

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

3. Depreciation/amortization method for non-current assets

(1) Tangible fixed assets (excluding leased assets)

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

Useful lives for main depreciable items are as follows:

Buildings: 2-50 years

Others: 2-60 years

(2) Intangible fixed assets (excluding leased assets)

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

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

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

(3) Leased assets

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

4. Criteria for allowances and reserves

(1) Allowance for doubtful accounts

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

(2) Reserve for employees' bonuses

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

(3) Reserve for employees' retirement benefits

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

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

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

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

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

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

(Changes in accounting policy)

Effective from the current fiscal year, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" ASBJ Statement No. 19 issued on July 31, 2008. This change has no impact on the financial statements.

(4) Reserve for directors' retirement benefits

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

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

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

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

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

(1) Accounting for consumption taxes

All figures are net of consumption taxes.

(2) Adoption of the consolidated tax payment system

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

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

2. Change in Presentation

(Statements of Income)

Because of its increased importance, "Gain on donated fixed assets" which was included in "other" in the previous fiscal year, is listed as a separate category income beginning in the current fiscal year.

"Gain on donated fixed assets" in the previous fiscal year was ¥12 million.

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Assets pledged as collateral:
   Investment and other assets ¥45 million
   Other assets (government bonds) are deposited in the Legal Affairs Bureau as business security deposits under Building Lots and Buildings Transaction Business Law.
2. Accumulated depreciation of tangible fixed assets: ¥37,727 million
3. Assets in affiliated companies
   Accounts receivable ¥158,215 million

2. Notes to Statements of Income

The following shows operating transactions and other transactions with affiliates.

Operating income
- Income from consigned businesses ¥84,298 million
- Subsidies related to former savings account ¥73,008 million

Other income
- Rents received ¥3,109 million

3. Notes to Retirement Benefits

1.Retirement benefits

(1) Summary of retirement benefits

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

(2) Information about retirement benefit obligation

(Millions of yen)

2010 (As of March 31, 2010)	
Retirement benefit obligation	(35,030)
Unfunded pension liabilities	(35,030)
Unrecognized actuarial differences	(283)
Reserve for employees' retirement benefits	(35,314)

(3) Information about retirement benefit expenses

(Millions of yen)

2010 (From April 1, 2009 to March 31, 2010)	
Service cost	1,976
Interest cost	572
Amortized actuarial differences	(35)
Retirement benefit expenses	2,513

(4) Assumptions for the calculation of retirement benefit obligation

2010 (As of March 31, 2010)	
Recognition of projected pension liabilities:	Straight-line method over the determined period
Discount rate:	1.6%
Recognition period of actuarial differences:	10 years

2. Share of public service pension

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

(Millions of yen)

2010 (As of March 31, 2010)	
Retirement benefit obligation related to share of public service pension	(1,083,953)
Unrecognized actuarial differences	(42,834)
Reserve for employees' retirement benefits related to share of public service pension	(1,126,788)

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

(Millions of yen)

2010 (From April 1, 2009 to March 31, 2010)	
Interest cost	20,127
Amortized actuarial difference	(1,448)
Retirement benefit expenses related to share of public service pension	18,678

(3) Assumptions for the calculation of public service pension

2010 (As of March 31, 2010)	
Discount rate:	1.7%
Recognition period of actuarial differences:	10 years

3. Share of another public service pension

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

(Millions of yen)

2010 (As of March 31, 2010)	
Retirement benefit obligation related to share of another public service pension	(2,918)
Unrecognized actuarial differences	(174)
Reserve for share of another public service pension	(3,093)

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

(Millions of yen)

2010 (From April 1, 2009 to March 31, 2010)	
Interest cost	39
Amortized prior service cost	(5)
Retirement benefit expenses related to share of another public service pension	34

(3) Assumptions for the calculation of another public service pension

2010 (As of March 31, 2010)	
Discount rate:	1.1%
Recognition period of actuarial differences:	5 years

4. Subsequent Events

None

4. Japan Post Network Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2010 and 2009 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan. (The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	¥ 1,888,026	¥ 1,915,747
Accounts receivable–trade	109,276	111,600
Securities	96,000	88,300
Real estate for sale in progress	1,576	1,581
Merchandise	19	25
Supplies	1,251	1,770
Prepaid expenses	453	497
Accounts receivable	6,689	5,215
Insurance business consignment receivable	76,522	49,434
Others	28,094	26,079
Allowance for doubtful accounts	(32)	(16)
Total current assets	2,207,877	2,200,235
Non-current assets		
Tangible fixed assets		
Buildings: net	363,529	346,953
Structures: net	16,169	14,948
Machinery: net	259	212
Automobiles and other vehicles: net	860	1,324
Tools and fixtures: net	27,998	22,590
Land	615,725	613,862
Construction in progress	2,764	12,428
Total tangible fixed assets	1,027,306	1,012,320
Intangible fixed assets		
Leaseholds	1,667	1,668
Air rights	—	14,077
Telephone rights	159	159
Software	3,558	5,190
Others	219	1,790
Total intangible fixed assets	5,605	22,885
Investments and other assets		
Investment securities	14,450	14,512
Stock of related parties	200	200
Others	1,520	3,503
Allowance for doubtful accounts	(413)	(1,339)
Total investments and other assets	15,758	16,876
Total non-current assets	1,048,670	1,052,082
Total Assets	**¥ 3,256,547**	**¥ 3,252,318**

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Liabilities		
Current liabilities		
Accounts payable–trade	¥ 4,791	¥ 5,404
Long-term debt due within a year	—	71
Accounts payable	123,520	124,899
Postal service business consignment payable	16,072	13,450
Banking business consignment payable	38,443	24,387
Accrued expenses	23,591	21,444
Income taxes payable	11,326	6,472
Consumption taxes payable	10,129	6,228
Deposits received	4,246	4,180
Fund deposits for post offices	1,550,000	1,540,000
Reserve for employees' bonuses	55,929	55,492
Reserve for loss on rebuilding of branches	—	237
Others	1,301	1,464
Total current liabilities	1,839,354	1,803,732
Long-term liabilities		
Long-term debt	142	—
Reserve for employees' retirement benefits	1,161,975	1,162,280
Reserve for directors' retirement benefits	72	83
Reserve for loss on rebuilding of branches	4,127	2,533
Negative goodwill	696	497
Others	5,827	16,068
Total long-term liabilities	1,172,841	1,181,463
Total Liabilities	**¥ 3,012,195**	**¥ 2,985,196**
Net Assets		
Shareholders' equity		
Capital stock	¥ 100,000	¥ 100,000
Capital surplus		
Capital reserve	100,000	100,000
Total capital surplus	100,000	100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings	44,352	67,122
Total retained earnings	44,352	67,122
Total shareholders' equity	244,352	267,122
Total Net Assets	**¥ 244,352**	**¥ 267,122**
Total Liabilities and Net Assets	**¥ 3,256,547**	**¥ 3,252,318**

2 Statements of Income

(Millions of yen)

Item	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Operating income		
Commissions for postal service business consignment	¥ 213,201	¥ 209,307
Commissions for banking business consignment	648,147	632,587
Commissions for insurance business consignment	415,210	405,214
Other fees and commissions	16,670	16,865
Total operating income	**1,293,229**	**1,263,975**
Operating expenses	1,112,405	1,094,988
Gross operating income	**180,823**	**168,986**
Sales, general and administrative cost	112,448	116,813
Net operating income	**68,375**	**52,173**
Other income		
Rents received	25,834	24,863
Others	7,125	4,934
Total other income	**32,960**	**29,798**
Other expenses		
Lease cost	15,884	16,910
Others	1,570	2,621
Total other expenses	**17,455**	**19,532**
Net ordinary income	**83,880**	**62,439**
Extraordinary gains		
Gain on sales of fixed assets	1,136	139
Compensation for transfer	420	909
Others	24	80
Total extraordinary gains	**1,581**	**1,129**
Extraordinary losses		
Losses on sales of fixed assets	6	3
Losses on disposal of fixed assets	239	867
Impairment losses	230	1,722
Provisions for losses on rebuilding of branches	4,127	234
Others	42	4
Total extraordinary losses	**4,646**	**2,833**
Net income before income taxes	**80,815**	**60,735**
Income taxes current	34,283	27,754
Income taxes for prior periods	5,688	—
Total income taxes	**39,971**	**27,754**
Net income	**¥ 40,843**	**¥ 32,981**

3 Statements of Changes in Net Assets

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥ 100,000	¥ 100,000
Balance at the end of the current fiscal year	¥ 100,000	¥ 100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	¥ 4,678	¥ 44,352
Changes during the period		
Cash dividends	(1,169)	(10,211)
Net income	40,843	32,981
Total changes during the period	39,674	22,770
Balance at the end of the current fiscal year	¥ 44,352	¥ 67,122
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥ 204,678	¥ 244,352
Changes during the period		
Cash dividends	(1,169)	(10,211)
Net income	40,843	32,981
Total changes during the period	39,674	22,770
Balance at the end of the current fiscal year	¥ 244,352	¥ 267,122

4 Significant Accounting Policies

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

1. Valuation criteria and methods for securities
(1) Held-to-maturity securities
Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method.
(2) Shares of subsidiaries and related parties
Shares of subsidiaries and related parties is recognized at cost using the moving-average method.
(3) Available-for-sale securities
Securities without market quotations are stated at cost using the moving average method.

2. Valuation criteria and methods for inventories
(1) Real estate for sale in progress (Real estate under development)
Real estate for sale in progress is recognized at cost based on the specific cost method (writing down the book value of inventories based on decreased profitability).
(2) Merchandise
Merchandise is recognized at cost based on the retail inventory method (writing down the book value of inventories based on decreased profitability).
(3) Other inventories
Other inventories are recognized at cost based on the moving-average method (writing down the book value of inventories based on decreased profitability).

3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets (excluding leased assets)
Tangible fixed assets are depreciated using the declining-balance method (except that buildings excluding accompanying equipment employ the straight-line method).
Useful lives in general are as follows:
Buildings: 2-50 years
Others: 2-60 years
(2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (5 years).
(3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowance is provided using a rate determined by past bad debt experience and also specific allowance is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation and related pension assets at the end of the current fiscal year. Prior service cost is to be charged to expenses using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.
(Changes in accounting policy)
Effective from the current fiscal year, the Company adopted "Partial Amendments to Accounting. Standard for Retirement Benefits (Part 3)" ASBJ Statement No. 19 issued on July 31, 2008. This change has no impact on the financial statements.
(4) Reserve for directors' retirement benefits
To provide for the payment of retirement benefits to directors, the Company provides the amount payable at the fiscal year-end in accordance with the Rules on Retirement Benefits to Directors.
(5) Reserve for loss on rebuilding of branches (post offices)
To provide for losses incurred in rebuilding branches (post offices) as part of the real estate development business, the Company records the amount of expected losses as of the end of the fiscal year. Specifically, reserve for loss on rebuilding of branches is recorded based on expected losses at the end of the fiscal year. The losses are mainly composed of those of existing buildings and expected removal.

5. Other important assumptions for financial statements
(1) Consumption taxes
All figures are net of consumption taxes.
(2) Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.
(3) Amortization of negative goodwill
The business that mediates delivery of furusato kozutsumi ("small parcels from hometown"), which used to be operated by the Postal Service Center, a juridical foundation, was transferred to Japan Post Network on October 1, 2007, and negative goodwill was recognized concerning the transfer.
The negative goodwill is amortized by the straight-line method (5 years).

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets:
¥97,475 million

2. Receivables and payables involving related parties
Accounts receivable and others ¥523 million
Accounts payable ¥10,401 million

3. Assets pledged as collateral
(1) The following is pledged as collateral for performing services as the Bank of Japan revenue sub-agents
Investment securities: ¥14,512 million
(2) Pledged as collateral for a long-term loan of ¥71 million
Land: ¥1,489 million
Buildings and others: ¥1,104 million

4. Contingent liabilities
Some of the lease contracts for the precincts of post offices have been taken over from the former Japan Post. Such contracts state that the lesser retains the right to call for compensation if Japan Post Network Co., Ltd. cancels all or part of the lease contracts. The amount of such cancellation compensation is to be calculated based on the remaining portion of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2010 the potential cancellation claims were ¥154,337 million. Since the calculation method for cancellation claims have not been set, the noted amount is based on a fixed hypothesis.

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

5. Others
The fund deposits for post offices presented on the balance sheets are those received in advance to prepare for the need to refund deposits and pay insurance benefits in accordance with the consignment agreements with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. The following shows the details of such deposits.
Japan Post Bank Co., Ltd.: ¥1,340,000 million
Japan Post Insurance Co., Ltd.: ¥200,000 million

2. Notes to Statements of Income

Operating transactions with Related Parties

Operating income	¥880 million
Operating expenses	¥8,515 million
Sales, general and administrative cost	¥24,579 million
Other income	¥1,940 million
Other expenses	–

3. Notes to Statements of Changes in Net Assets

1. Information concerning type and number of outstanding shares
(Thousands of shares)

	March 31, 2009	Increase	Decrease	March 31, 2010	Remarks
Outstanding shares					
Common	4,000	–	–	4,000	

2. Appropriation of retained earnings
Cash dividends (paid) of the current fiscal year

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular shareholders meetings on June 24, 2009	Common	10,211	2,552.75	March 31, 2009	June 24, 2009

4. Notes to Retirement Benefits

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

2. Information about retirement benefit obligation
(Millions of yen)

	2010 (As of March 31, 2010)
Retirement benefit obligation	(1,150,933)
Unfunded pension liabilities	(1,150,933)
Unrecognized actuarial differences	(12,152)
Unrecognized prior service cost	806
Net amount on balance sheet	(1,162,280)
Reserve for employees' retirement benefits	(1,162,280)

3. Information about retirement benefit expenses
(Millions of yen)

	2010 (From April 1, 2009 to March 31, 2010)
Service cost	55,851
Interest cost	19,575
Amortization of prior service cost	67
Amortization of actuarial differences	(788)
Retirement benefit expenses	74,705

4. Assumptions for the calculation of retirement benefit obligation

	2010 (As of March 31, 2010)
Recognition method of projected retirement benefit	Straight-line method over the determined period
Discount rate:	1.7%
Recognition period of prior service cost:	14 years
Recognition period of actuarial differences:	14 years

5. Subsequent Events

None

6 Reference

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Operating expenses		
Personnel expenses	¥ 894,329	¥ 883,061
(of which amount deferred for reserve for employees' bonuses)	52,337	51,690
(of which retirement benefit expenses)	72,288	70,202
Expenses	218,076	211,927
Charges for facilities	82,688	82,545
Charges for fees and commissions	25,674	29,490
Depreciation expenses	27,023	21,939
Communication charges	14,323	14,721
Facility maintenance expenses	14,499	14,183
Utility expenses	13,523	12,008
Taxes and dues	7,780	8,319
Subcontractor expenses	5,783	6,087
Others	26,779	22,630
Total operating expenses	**¥1,112,405**	**¥1,094,988**
Sales, general and administrative costs		
Personnel expenses	56,175	56,817
(of which amount deferred for reserve for employees' bonuses)	3,591	3,802
(of which retirement benefit expenses)	4,445	4,503
Expenses	56,272	59,995
Charges for fees and commissions	19,754	22,213
Subcontractor expenses	9,475	9,197
Depreciation expenses	6,217	6,850
Taxes and dues	5,914	5,698
Advertising expenses	5,058	5,077
Others	9,852	10,956
Total sales, general and administrative costs	**¥ 112,448**	**¥ 116,813**

5. Japan Post Service Co., Ltd. — Non-consolidated Financial Data

The balance sheets as of March 31, 2010 and 2009 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.

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

1 Balance Sheets

(Millions of yen)

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	¥ 393,491	¥ 316,337
Accounts receivable–trade	132,129	135,789
Securities	80,000	120,000
Merchandise	2,574	3,724
Supplies	3,373	2,030
Prepaid expenses	1,175	1,091
Short-term loan	–	33,000
Income taxes receivable	3,653	–
Other current assets	11,812	6,752
Allowance for doubtful accounts	(188)	(41,076)
Total current assets	628,022	577,649
Non-current assets		
Tangible fixed assets		
Automobiles and other vehicles: net	1,557	4,718
Buildings: net	664,450	624,953
Structures: net	14,522	13,141
Machinery: net	25,771	22,499
Tools and fixtures: net	18,569	12,669
Land	634,083	634,062
Leased assets: net	–	43
Construction in progress	398	681
Total tangible fixed assets	1,359,352	1,312,770
Intangible fixed assets		
Software	20,114	19,808
Other intangible fixed assets	1,980	10,148
Total intangible fixed assets	22,094	29,956
Investments and other assets		
Stock of related parties	38,799	38,499
Claims in bankruptcy	1,843	1,443
Long-term prepaid expenses	–	1,932
Other assets	1,873	2,627
Allowance for doubtful accounts	(1,835)	(1,439)
Total investments and other assets	40,681	43,063
Total non-current assets	1,422,128	1,385,791
Total Assets	**¥ 2,050,151**	**¥ 1,963,440**

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Liabilities		
Current liabilities		
Accounts payable–trade	¥ 51,495	¥ 51,046
Accounts payable	139,890	134,941
Accrued expenses	8,802	12,042
Income taxes payable	–	7,522
Advance postal fees received	39,774	40,559
Deposits received	399,586	372,500
Reserve for employees' bonuses	54,087	53,241
Others	963	1,299
Total current liabilities	694,600	673,154
Long-term liabilities		
Reserve for employees' retirement benefits	1,068,797	1,057,089
Reserve for directors' retirement benefits	62	83
Reserve for refund for Fumi Cards	510	170
Others	4,251	5,961
Total long-term liabilities	1,073,622	1,063,304
Total Liabilities	**¥1,768,223**	**¥1,736,458**
Net Assets		
Shareholders' equity		
Capital stock	¥ 100,000	¥ 100,000
Capital surplus		
Capital reserve	100,000	100,000
Total capital surplus	100,000	100,000
Retained earnings		
Other retained earnings	81,928	26,981
Unappropriated retained earnings	81,928	26,981
Total retained earnings	81,928	26,981
Total shareholders' equity	281,928	226,981
Total Net Assets	**¥ 281,928**	**¥ 226,981**
Total Liabilities and Net Assets	**¥2,050,151**	**¥1,963,440**

2 Statements of Income

(Millions of yen)

Item	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Operating income	¥ 1,865,282	¥ 1,813,048
Operating expenses	1,724,671	1,675,174
Gross operating income	**140,611**	**137,873**
Sales, general and administrative cost	95,722	95,093
Net operating income	**44,888**	**42,779**
Other income		
Rents received	19,610	19,915
Others	2,601	2,041
Total other income	**22,211**	**21,956**
Other expenses		
Lease cost	6,888	6,591
Others	1,236	1,147
Total other expenses	**8,125**	**7,738**
Net ordinary income	**58,974**	**56,997**
Extraordinary gains		
Gains on revision of income and expense in the previous year	1,122	–
Settlement package	–	1,264
Reversal of allowance for doubtful accounts	292	–
Reversal of reserve for refund for Fumi Cards	284	264
Others	121	86
Total extraordinary gains	**1,822**	**1,615**
Extraordinary losses		
Losses on revision of income and expense in the previous year	3,118	–
Losses on disposal of fixed assets	977	3,047
Amount deferred for allowance for doubtful accounts	–	40,963
Evaluation loss on the shares of related parties	–	37,570
Others	3	352
Total extraordinary losses	**4,099**	**81,935**
Net income before income taxes	**56,697**	**(23,321)**
Income taxes current	23,353	24,171
Income taxes for prior periods	3,530	–
Total income taxes	**26,884**	**24,171**
Net income (loss) for the current year	**¥ 29,812**	**¥ (47,493)**

3 Statements of Changes in Net Assets

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of the previous fiscal year	¥100,000	¥100,000
Balance at the end of the current fiscal year	¥100,000	¥100,000
Capital surplus		
Capital reserve		
Balance at the end of the previous fiscal year	¥100,000	¥100,000
Balance at the end of the current fiscal year	¥100,000	¥100,000
Retained earnings		
Other retained earnings		
Unappropriated retained earnings		
Balance at the end of the previous fiscal year	69,487	81,928
Changes during the period		
Cash dividends	(17,371)	(7,453)
Net income (loss) for the current year	29,812	(47,493)
Total changes during the period	12,440	(54,946)
Balance at the end of the current fiscal year	¥ 81,928	¥ 26,981
Total shareholders' equity		
Balance at the end of the previous fiscal year	¥269,487	¥281,928
Changes during the period		
Cash dividends	(17,371)	(7,453)
Net income (loss) for the current year	29,812	(47,493)
Total changes during the period	12,440	(54,946)
Balance at the end of the current fiscal year	¥281,928	¥226,981

4 Significant Accounting Policies

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

1. Significant Accounting Policies

1. Valuation criteria and methods for securities
(1) Shares of subsidiaries and related parties
Shares of subsidiaries and related parties is stated at cost using the moving-average method.
(2) Available-for-sale securities
Securities without market quotations are stated at cost using the moving-average method.

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

3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets (excluding leased assets)
Their amortization is computed by the declining-balance method. However, for buildings (excluding structures and equipment), it is computed using the straight-line method.
Useful lives for main depreciable items are as follows:
Vehicles: 2-7 years
Buildings: 2-50 years
Structures: 2-75 years
Machinery: 2-17 years
Tools, apparatus, equipment: 2-20 years
(2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (5 years).
(3) Leased assets
Finance lease assets not involving the transfer of ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowances is provided using a rate determined by past bad debt experience and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year.
Actuarial difference is amortized using the straight-line method over certain years (13 years) within the estimated average remaining payment periods for eligible personnel when the difference incurred in the current fiscal year, respectively from the fiscal year after the difference is incurred.
(Changes in accounting policy)
Effective from the current fiscal year, the Company adopted "Partial Amendments to Accounting. Standard for Retirement Benefits (Part 3)" ASBJ Statement No. 19 issued on July 31, 2008. This change has no impact on the financial statements.
(4) Reserve for directors' retirement benefits
To provide for directors' retirement benefits, reserve for directors' retirement benefits is recorded in the amount payable at the fiscal year-end in accordance with the bylaws of the Company.
(5) Reserve for refund for Fumi Cards
To provide reserve for refund for Fumi Cards is recorded in a projected amount for the end of the current fiscal year.

5. Other important assumptions for financial statements
(1) Consumption taxes
All figures are net of consumption tax.
(2) Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

2. Change in presentation

Balance sheet presentation
(1) Because of its increased importance, "Short term loan" which was included in "others" in the previous fiscal year, is listed as a separate category income beginning in the current fiscal year. "Short term loan" in the previous fiscal year was ¥3,380 million.
(2) Because of its increased importance, "Long-term prepaid expenses" which was included in "others" in the previous fiscal year, is listed as a separate category income beginning in the current fiscal year. "Long-term prepaid expenses" in the previous fiscal year was ¥359 million.

5 Notes to Financial Statements

1. Notes to Balance Sheets

1. Accumulated depreciation of tangible fixed assets: ¥162,501 million
2. Receivables and payables involving related parties
   Short-term receivables: ¥41,530 million
   Short-term payables: ¥18,989 million
3. Assets pledged as collateral
   As prescribed by laws concerning regulations on prepaid vouchers, other assets within investments and other assets includes assets pledged as collateral of ¥1,753 million.
4. Monetary assets as collateral
   Japan Post Service holds securities as collateral pledged by users of its pay-later postal services. Such securities are valued at ¥3 million as of March 31 of the current fiscal year.

2. Notes to Statements of Income

1. The following shows operating transactions and other transactions with affiliates.
   Operating transactions (received): ¥13,246 million
   Operating transactions (paid): ¥113,831 million
   Transactions other than operational (received): ¥735 million

2. Details of loss on disposal of fixed assets

Buildings:	¥174 million
Structures:	¥32 million
Machinery:	¥1,565 million
Tools and fixtures:	¥57 million
Software in progress	¥1,218 million
Total:	¥3,047 million

3. Notes to Statements of Changes in Net Assets

1. Information concerning outstanding shares

(Thousands of shares)

	March 31, 2009	Increase	Decrease	March 31, 2010
Type of shares				
Common Shares	4,000	–	–	4,000

2. Information concerning dividends
   Cash dividends (paid) applicable to the current fiscal year

Resolution	Type	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular shareholders meeting on June 26, 2009	Common	7,453	1,863.29	March 31, 2009	June 26, 2009

4. Notes to Retirement Benefits

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

2. Information about retirement benefit obligation

(Millions of yen)

2010 (As of March 31, 2010)	
Retirement benefit obligation	(1,033,479)
Unrecognized actuarial differences	(23,609)
Reserve for employees' retirement benefits	(1,057,089)

3. Information about retirement benefit expenses

(Millions of yen)

2010 (From April 1, 2009 to March 31, 2010)	
Service cost	48,306
Interest cost	16,835
Amortized actuarial differences	(1,304)
Retirement benefit expenses	63,837

4. Assumptions for the calculation of retirement benefit obligation

2010 (As of March 31, 2010)	
Recognition method of projected retirement benefit	Straight-line method over the determined period
Discount rate	1.6%
Recognition period of actuarial differences	13 years

5. Additional Information

Dissolution of a Significant Consolidated Subsidiary

Japan Post Service Co., Ltd. decided to take over the assets from JP Express Co., Ltd., its subsidiary, and to thereupon dissolve and settle the latter in order to maintain a high level of customer service and build up a strong business foundation in parcel delivery operations with respect to the integration of both companies' parcel delivery operations. The decision is in accordance with resolutions passed at meetings of the Board of Directors on December 24, 2009, and January 29, 2010, as well as a Letter of Understanding exchanged by Japan Post Service and Nippon Express Co., Ltd., on December 24, 2009, and an Agreement in Detail exchanged by Japan Post Service and Nippon Express Co., Ltd., on January 29, 2010.

(1) Overview of the Dissolved Consolidated Subsidiary
   Company name: JP Express Co., Ltd.
   Head office location: 2-10-1, Toranomon, Minato-ku Tokyo
   Function and full name of the representative: Ikuo Shirakane, Chairman & CEO
   Lines of business: Parcel delivery and associated operations
   Capital stock: ¥25,000 million
   Date of establishment: June 2, 2008
   Shareholders and proportional ownership: Japan Post Service Co., Ltd. 86%; Nippon Express Co., Ltd. 14%

(2) Schedule of Dissolution
   July 1, 2010
   The transfer from JP Express Co., Ltd., to Japan Post Service Co., Ltd., enters into force.
   As soon as possible during or after July 2010
   JP Express Co., Ltd., dissolves

6 Reference

Breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Operating expenses		
Personnel expenses	¥ 1,132,456	¥ 1,098,671
(of which amount deferred for reserve for employees' bonuses)	52,242	51,004
(of which retirement benefit expenses)	64,133	61,674
Expenses	592,214	576,503
Expenses for fuels	11,213	9,119
Fleet maintenance expenses	7,530	9,279
Purchasing expenses for stamps, postcards and others	11,676	12,353
Depreciation expenses	59,011	53,800
Charges for facilities	17,577	17,978
Taxes and dues	10,552	10,205
Collection, delivery and transport outsourcing expenses	171,160	171,057
Commissions for Japan Post Network Co., Ltd.	213,185	209,348
Handling commission fees	26,749	25,006
Others	63,556	58,352
Total operating expenses	**¥ 1,724,671**	**¥ 1,675,174**
Sales, general and administrative costs		
Personnel expenses	30,481	32,546
(of which amount deferred for reserve for employees' bonuses)	1,819	1,871
(of which retirement benefit expenses)	2,087	2,163
Expenses	65,241	62,547
Depreciation expenses	6,619	7,828
Advertisement fees	8,852	6,617
Taxes and dues	3,536	5,166
Charges for fees and commissions	25,506	23,319
Others	20,726	19,615
Total sales, general and administrative costs	**¥ 95,722**	**¥ 95,093**

6. Japan Post Bank Co., Ltd. —Non-consolidated Financial Data

The consolidated balance sheets as of March 31, 2010 and 2009 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Group Companies were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan. (The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Assets:		
Cash and due from banks:	¥ 5,999,116	¥ 4,440,804
Cash	124,681	117,546
Due from banks	5,874,434	4,323,257
Call loans	51,184	261,649
Receivables under securities borrowing transactions	725,786	2,495,622
Monetary claims bought	66,409	124,082
Trading account securities (Note 20):	159	196
Trading Japanese government bonds	159	196
Money held in trust (Note 20)	1,224,742	1,015,355
Securities (Notes 7, 19, 20 and 21):	173,551,137	178,230,687
Japanese Government Bonds	155,490,155	155,891,563
Japanese local government bonds	6,177,212	5,289,202
Japanese corporate bonds	10,423,366	12,281,230
Other securities	1,460,403	4,768,691
Loans (Note 23):	4,031,587	4,022,547
Loans on deeds	3,790,537	3,783,806
Overdrafts	241,050	238,741
Foreign exchanges (Note 3)	9,872	5,860
Other assets (Notes 4 and 7)	10,480,635	3,902,137
Tangible fixed assets (Note 5)	170,392	142,032
Intangible fixed assets (Note 6)	29,586	38,931
Deferred tax assets (Note 25)	141,273	—
Reserve for possible loan losses	(1,087)	(1,556)
Total assets	¥196,480,796	¥194,678,352

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Liabilities:		
Deposits (Notes 7 and 8)	¥177,479,840	¥175,797,715
Payables under securities lending transactions (Note 7)	804,770	6,236,017
Borrowed money (Note 9)	8,700,000	2,000,000
Foreign exchanges (Note 3)	102	116
Other liabilities (Note 10)	1,182,240	1,523,721
Contingent liabilities (Note 11)		
Reserve for employees' bonuses	6,542	6,815
Reserve for employees' retirement benefits (Note 24)	127,584	129,015
Reserve for directors' retirement benefits	141	194
Deferred tax liabilities (Note 25)	—	145,208
Total liabilities	188,301,222	185,838,804
Net assets (Note 16):		
Common stock	3,500,000	3,500,000
Capital surplus	4,296,285	4,296,285
Retained earnings	413,140	652,598
Total shareholder's equity	8,209,426	8,448,884
Net unrealized gains (losses) on available-for-sale securities (Note 20)	(16,877)	382,593
Deferred gains (losses) on hedges	(12,974)	8,069
Total valuation and translation adjustments	(29,851)	390,663
Total net assets	8,179,574	8,839,547
Total liabilities and net assets	¥196,480,796	¥194,678,352

See notes to financial statements.

2 Statements of Income

(Millions of yen)

Item	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Revenues:		
Interest income:	¥2,309,926	¥2,066,088
Interest on loans	45,185	47,819
Interest and dividends on securities	1,940,865	1,920,979
Interest on call loans	14,333	82
Interest on receivables under resale agreements	2,366	—
Interest on receivables under securities borrowing transactions	28,589	4,338
Interest on deposits with banks	23,288	5,237
Other interest income	255,297	87,630
Fees and commissions:	112,334	108,493
Fees and commissions on domestic and foreign exchanges	66,592	64,690
Other fees and commissions	45,742	43,803
Other operating income (Note 12)	53,791	13,058
Other income (Note 13)	12,965	20,342
Total revenues	2,489,017	2,207,983
Expenses:		
Interest expenses:	657,022	447,718
Interest on deposits	373,863	343,368
Interest on payables under securities lending transactions	25,878	8,357
Interest on borrowings	255,091	86,161
Interest on interest rate swaps	1,591	9,539
Other interest expenses	597	290
Fees and commissions:	21,238	22,331
Fees and commissions on domestic and foreign exchanges	297	1,417
Other fees and commissions	20,940	20,914
Other operating expenses (Note 14)	53,452	10,079
General and administrative expenses	1,266,205	1,221,076
Other expenses (Note 15)	106,885	13,328
Total expenses	2,104,803	1,714,532
Income before income taxes	**384,213**	**493,450**
Income taxes (Note 25):		
Current	192,604	198,698
Deferred	(37,754)	(2,005)
Total income taxes	154,850	196,692
Net income	**¥ 229,363**	**¥ 296,758**

	2009	2010
Net income per share (Note 28)	¥1,529.08	¥1,978.38

See notes to financial statements.

3 Statements of Changes in Net Assets

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Shareholders' Equity		
Common stock:		
Balance at beginning of year	¥3,500,000	¥3,500,000
Balance at end of year	3,500,000	3,500,000
Capital surplus:		
Balance at beginning of year	4,296,285	4,296,285
Balance at end of year	4,296,285	4,296,285
Retained earnings:		
Balance at beginning of year	206,577	413,140
Changes during the fiscal year:		
Cash dividends	(22,800)	(57,300)
Net income	229,363	296,758
Total changes during the fiscal year	206,563	239,458
Balance at end of year	413,140	652,598
Total shareholder's equity:		
Balance at beginning of year	8,002,862	8,209,426
Changes during the fiscal year:		
Cash dividends	(22,800)	(57,300)
Net income	229,363	296,758
Total changes during the fiscal year	206,563	239,458
Balance at end of year	8,209,426	8,448,884
Valuation and Translation Adjustments		
Net unrealized gains (losses) on available-for-sale securities:		
Balance at beginning of year	73,992	(16,877)
Changes during the fiscal year:		
Net changes in items other than shareholder's equity	(90,869)	399,470
Total changes during the fiscal year	(90,869)	399,470
Balance at end of year	(16,877)	382,593
Deferred gains (losses) on hedges:		
Balance at beginning of year	—	(12,974)
Changes during the fiscal year:		
Net changes in items other than shareholder's equity	(12,974)	21,044
Total changes during the fiscal year	(12,974)	21,044
Balance at end of year	(12,974)	8,069
Total valuation and translation adjustments:		
Balance at beginning of year	73,992	(29,851)
Changes during the fiscal year:		
Net changes in items other than shareholder's equity	(103,844)	420,515
Total changes during the fiscal year	(103,844)	420,515
Balance at end of year	(29,851)	390,663
Total net assets:		
Balance at beginning of year	8,076,855	8,179,574
Changes during the fiscal year:		
Cash dividends	(22,800)	(57,300)
Net income	229,363	296,758
Net changes in items other than shareholder's equity	(103,844)	420,515
Total changes during the fiscal year	102,718	659,973
Balance at end of year	¥8,179,574	¥8,839,547

See notes to financial statements.

4 Statements of Cash Flows

(Millions of yen)

	2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
Cash flows from operating activities:		
Income before income taxes	¥ 384,213	¥ 493,450
Adjustments for:		
Depreciation and amortization	54,797	45,083
Losses on impairment of fixed assets	63	432
Net change in reserve for possible loan losses	(422)	468
Net change in reserve for employees' bonuses	314	273
Net change in reserve for employees' retirement benefits	2,652	1,430
Net change in reserve for directors' retirement benefits	95	53
Interest income	(2,309,926)	(2,066,088)
Interest expense	657,022	447,718
Net securities gains	(151)	(11,629)
Gains (losses) on money held in trust—net	100,200	(2,377)
Gains (losses) on foreign exchanges—net	292	(1,429)
Losses on sale and disposal of fixed assets—net	1,432	403
Net change in loans	(260,128)	8,521
Net change in deposits	(4,263,966)	(1,682,125)
Proceeds from maturity of deposits to the fiscal loan fund	12,000,000	6,700,000
Net change in borrowed money	(12,000,000)	(6,700,000)
Net change in negotiable certificates of deposit	514,000	2,220,000
Net change in call loans	3,708,044	(267,331)
Net change in receivables under securities borrowing transactions	(725,786)	(1,769,836)
Net change in payables under securities lending transactions	804,770	5,431,246
Net change in foreign exchange assets	3,581	4,011
Net change in foreign exchange liabilities	(225)	14
Interest received	2,387,231	2,227,583
Interest paid	(744,332)	(384,429)
Other—net	(26,452)	(23,129)
Subtotal	287,319	4,672,312
Income taxes paid	(230,841)	(186,967)
Net cash provided by operating activities	56,478	4,485,345
Cash flows from investing activities:		
Purchases of securities	(66,091,066)	(69,782,752)
Proceeds from sales of securities	13,095,782	9,695,554
Proceeds from maturity of securities	51,684,625	55,875,426
Investment in money held in trust	(1,029,778)	(50,000)
Proceeds from disposition of money held in trust	25,300	526,655
Purchases of tangible fixed assets	(31,692)	(8,015)
Proceeds from sales of tangible fixed assets	436	86
Purchases of intangible fixed assets	(9,631)	(23,433)
Proceeds from sales of intangible fixed assets	120	—
Other—net	(291)	(340)
Net cash used in investing activities	(2,356,193)	(3,766,818)
Cash flows from financing activities:		
Cash dividends paid	(22,800)	(57,300)
Net cash used in financing activities	(22,800)	(57,300)
Effect of exchange rate changes on cash and cash equivalents	**575**	**462**
Net decrease in cash and cash equivalents	**(2,321,939)**	**661,688**
Cash and cash equivalents at beginning of year	**5,021,055**	**2,699,116**
Cash and cash equivalents at end of year	**¥ 2,699,116**	**¥ 3,360,804**

See notes to financial statements.

5 Notes to Financial Statements

Years ended March 31, 2010 and 2009

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

JAPAN POST BANK Co., Ltd. (the "Bank") became a private bank under the Banking Law of Japan (the "Banking Law"), as a wholly owned subsidiary of JAPAN POST HOLDINGS Co., Ltd., following its privatization on October 1, 2007 in accordance with the Postal Service Privatization Law.

The Bank has no subsidiaries to consolidate.

The accompanying financial statements have been prepared in accordance with the provisions set forth in a) the Japanese Financial Instruments and Exchange Law and its related accounting regulations and b) the Ordinance for Enforcement of the Banking Law (1982 Finance Ministry Order No. 10), and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

In conformity with the Japanese Financial Instruments and Exchange Law and its related accounting regulations, all Japanese yen figures in the financial statements have been rounded down to the nearest million yen amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. SUMMARY OF ACCOUNTING POLICIES

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

(1) Trading account securities, which are held in the short term, are reported at fair value, and the related unrealized gains and losses are included in earnings;

(2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost (straight-line method) using the moving-average method;

(3) Investments in affiliates are reported at cost determined by the moving-average method; and

(4) Available-for-sale securities that are not classified as either of the aforementioned securities and have market prices are carried at their fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are reported in a separate component of net assets.

Securities (stocks) invested in money held in trust are stated at the fair value. The balance sheet amounts as of March 31, 2010 (end of the fiscal year ended March 31, 2010) and March 31, 2009 (end of the fiscal year ended March 31, 2009) are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2010 and 2009 for equity securities and at the market price at the balance sheet date for other securities (the costs of other securities sold are determined primarily based on the moving-average method). Unrealized gains and losses on these securities, net of applicable income taxes, are reported in a separate component of net assets.

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

c. Intangible Fixed Assets—The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed and obtained for internal use is amortized by the straight-line method over the estimated useful life of five years.

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

e. Reserve for Possible Loan Losses—Reserve for possible loan losses is provided for in accordance with the write-off and provision standards as described below:

Loans to normal borrowers and borrowers requiring caution, as provided by "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

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

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments, and the reserves are provided based on the results of the assessment.

f. Reserve for Employees' Bonuses—Reserve for employees' bonus is provided for the estimated employees' bonuses attributable to the fiscal year.

g. Reserve for Employees' Retirement Benefits—Reserve for employees' retirement benefits is provided based on the projected benefit obligation at the balance sheet date.

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

(Change in accounting policy)

Effective as of the end of the fiscal year ended March 31, 2010, the Bank has adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan (ASBJ) Statement No. 19 issued on July 31, 2008). The same discount rates used under the previous method are applied, and therefore there was no impact on the retirement benefit obligation as a result of this change.

h. Reserve for Directors' Retirement Benefits—Reserve for directors' retirement benefits is provided for the estimated retirement benefits which are attributable to the fiscal year.

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

Hedging against interest rate risks:

In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities. The Bank considers its hedging activities for offsetting changes in fair value to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same as the conditions stipulated for special accounting treatment for interest rate swaps. For some financial assets and liabilities, the Bank applies special accounting treatment for interest rate swaps.

Hedging against foreign exchange fluctuation risks:

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

The Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

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

k. Income Taxes—The Bank adopts the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company.

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

m. Additional Information—Disclosure of fair values of financial instruments
Effective as of the end of the fiscal year ended March 31, 2010, the Bank adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).

3. FOREIGN EXCHANGES
Foreign exchanges as of March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Assets		
Due from foreign banks	¥9,814	¥5,795
Foreign bills bought and foreign exchanges purchased	58	64
Total	¥9,872	¥5,860
Liabilities		
Foreign bills sold	¥ 37	¥ 47
Foreign bills payable	64	68
Total	¥ 102	¥ 116

4. OTHER ASSETS
Other assets as of March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Domestic exchange settlement accounts—debit	¥ 12,999	¥ 12,637
Prepaid expenses	200	6,684
Accrued income	331,348	340,814
Derivatives other than that for trading	271	17,476
Deposits (to the fiscal loan fund)	8,700,000	2,000,000
Other	1,435,816	1,524,524
Total	¥10,480,635	¥ 3,902,137

5. TANGIBLE FIXED ASSETS
Tangible fixed assets as of March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Land	¥ 27,121	¥ 27,121
Buildings	75,862	73,146
Construction in progress	52	159
Other	67,355	41,604
Total	¥170,392	¥142,032

	2009	2010
Accumulated depreciation of tangible fixed assets	¥ 67,836	¥101,217

6. INTANGIBLE FIXED ASSETS
Intangible fixed assets as of March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Software	¥29,192	¥25,343
Other	394	13,587
Total	¥29,586	¥38,931

7. ASSETS PLEDGED AS COLLATERAL
Assets pledged as collateral and their relevant liabilities as of March 31, 2010 and 2009 were as follows:

(Millions of yen)

	2009	2010
Assets pledged as collateral:		
Securities	¥76,643,404	¥65,228,776
Relevant liabilities to the above assets:		
Deposits	76,852,848	61,428,693
Payables under securities lending transactions	804,770	6,236,017

Additionally, securities as of March 31, 2010 and 2009 amounting to ¥2,011,461 million and ¥3,081,318 million, respectively, were pledged as collateral for transactions such as Bank of Japan overdrafts, exchange settlement transactions, or substitute securities for derivatives.

As of March 31, 2010 and 2009, guarantee deposits amounting to ¥1,206 million and ¥834 million, respectively, are included in "Other assets" in the accompanying balance sheets.

8. DEPOSITS
Deposits as of March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Transfer deposits	¥ 7,269,971	¥ 7,597,731
Ordinary deposits	46,109,765	43,959,851
Savings deposits	466,585	428,597
Time deposits	17,408,597	26,847,754
Special deposits*	76,835,303	61,413,288
TEIGAKU deposits**	29,058,902	35,247,935
Other deposits	330,715	302,556
Total	¥177,479,840	¥175,797,715

* "Special deposits" represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.

** "TEIGAKU deposits" are a kind of 10-year-maturity time deposit unique to JAPAN POST BANK. The key feature is that depositors have the option to withdraw money anytime after six months from the inception of the deposits. The effective interest rates put on deposits rise in a staircase pattern, with duration of up to three years.
"Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the Banking Law Implementation Regulations. "Special deposits" are deposits with banks made by the Management Organization for Postal Savings and Postal Life Insurance.

9. BORROWED MONEY
Borrowed money as of March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Borrowings from the Ministry of Finance due November 2010, with annual weighted average interest rate of 1.98%	¥8,700,000	¥2,000,000
Total	¥8,700,000	¥2,000,000

Annual maturities of borrowed money as of March 31, 2010 and 2009 were as follows:

(Millions of yen)

Years ended March 31	2009	2010
One year or less	¥6,700,000	¥2,000,000
> One and ≤ two years	2,000,000	—
Total	¥8,700,000	¥2,000,000

10. OTHER LIABILITIES
Other liabilities as of March 31, 2010 and 2009 consisted of the following:
(Millions of yen)

Years ended March 31	2009	2010
Domestic exchange settlement accounts—credit	¥ 20,177	¥ 19,592
Income taxes payable	42,313	35,829
Accrued expenses	792,908	859,024
Unearned income	22	49
Derivatives other than that for trading	23,304	17,530
Other	303,513	591,695
Total	¥1,182,240	¥1,523,721

11. CONTINGENT LIABILITIES
The Bank has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details as of March 31, 2010 and 2009 are as follows:
(Millions of yen)

	2009	2010
One year or less	¥ 38,888	¥35,463
Over one year	89,202	49,130
Total	¥128,090	¥84,594

The Bank had to establish an integrated information processing system for the JAPAN POST GROUP. The JAPAN POST GROUP has signed contracts for the outsourcing of the provision of communications services for the fourth-generation system for business operations and for the outsourcing of the provision of communications services for the fourth-generation system for management information.

12. OTHER OPERATING INCOME
Other operating income for the fiscal years ended March 31, 2010 and 2009 consisted of the following:
(Millions of yen)

	2009	2010
Gain on sales of bonds including Japanese Government Bonds	¥53,067	¥13,003
Gains on redemption of bonds including Japanese Government Bonds	—	55
Other	723	0
Total	¥53,791	¥13,058

13. OTHER INCOME
Other income for the fiscal years ended March 31, 2010 and 2009 consisted of the following:
(Millions of yen)

	2009	2010
Gains on sales and disposal of fixed assets	—	¥ 6
Reversal of reserve for possible loan losses	¥ 417	—
Recoveries of written-off loans	47	34
Gains on money held in trusts	—	12,578
Other	12,500	7,722
Total	¥12,965	¥20,342

14. OTHER OPERATING EXPENSES
Other operating expenses for the fiscal years ended March 31, 2010 and 2009 consisted of the following:
(Millions of yen)

	2009	2010
Losses on foreign exchanges	¥ 536	¥ 8,650
Losses on sales of bonds including Japanese Government Bonds	52,915	1,429
Losses on redemption of bonds including Japanese Government Bonds	0	—
Total	¥53,452	¥10,079

15. OTHER EXPENSES
Other expenses for the fiscal years ended March 31, 2010 and 2009 consisted of the following:
(Millions of yen)

	2009	2010
Provision for reserve for possible loan losses	—	¥ 484
Losses on money held in trust	¥100,200	10,200
Losses on sales and disposals of fixed assets	1,432	409
Losses on impairment of fixed assets	63	432
Other	5,189	1,800
Total	¥106,885	¥13,328

16. SHAREHOLDER'S EQUITY
The Corporate Law of Japan requires that all shares of common stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as common stock and the remaining net proceeds as capital reserve, which is included in capital surplus. The Corporate Law of Japan permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within shareholders' accounts.

The Corporate Law of Japan allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, capital reserve, or legal reserve that could be transferred to retained earnings or other capital surplus other than capital reserve upon approval of such transfer at the annual general meeting of shareholders.

The maximum amount that the Bank is able to distribute as dividends subject to the approval of the shareholder is calculated based on the non-consolidated financial statements of the Bank in accordance with the Corporate Law of Japan.

Type and number of outstanding shares issued for the fiscal years ended March 31, 2010 and 2009 were as follows:
(Thousand shares)

2009					
Type of shares	Autho-rized	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	600,000	150,000	—	—	150,000

(Thousand shares)

2010					
Type of shares	Autho-rized	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	600,000	150,000	—	—	150,000

Dividends distributed during the fiscal year ended March 31, 2009:

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

Dividends distributed during the fiscal year ended March 31, 2010:

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 20, 2009	Common stock	¥57,300	¥382	March 31, 2009	May 21, 2009

Of dividends whose record date was included in the fiscal years ended March 31, 2010 and 2009, those whose effective date occurs after the fiscal year's closing:

2009					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 20, 2009	Common stock	¥57,300	¥382	March 31, 2009	May 21, 2009

2010					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 13, 2010	Common stock	¥74,100	¥494	March 31, 2010	May 14, 2010

17. CASH AND CASH EQUIVALENTS

The reconciliation between cash and cash equivalents in the statement of cash flows and cash and due from banks in the balance sheet as of March 31, 2010 and 2009 were as follows:

(Millions of yen)

	2009	2010
Cash and due from banks	¥ 5,999,116	¥ 4,440,804
Due from banks, excluding negotiable certificates of deposit in other banks	(3,300,000)	(1,080,000)
Cash and cash equivalents	¥ 2,699,116	¥ 3,360,804

18. LEASES

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2010 and 2009 were as follows:

(Millions of yen)

	2009	2010
Due within one year	¥ 508	¥ 490
Due over one year	1,086	941
Total	¥1,594	¥1,431

19. SECURITIES

As of the end of the fiscal year ended March 31, 2010, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥2,511,023 million among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) as well as those purchased under resale agreements and those borrowed with cash collateral under securities lending agreements.

As of the end of the fiscal year ended March 31, 2009, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥727,271 million among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) as well as those purchased under resale agreements and those borrowed with cash collateral under securities lending agreements.

20. FINANCIAL INSTRUMENTS

a. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

The Bank's operations comprise deposit-taking up to designated limits, syndicated loans and other lending, securities investment, foreign exchange, retail sales of Japanese Government Bonds and investment trusts, intermediary services including mortgages, and credit card operations.

The Bank raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds, which mainly consist of Japanese Government Bonds, foreign bonds, etc. as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Bank including affecting the stability of its earnings. The Bank therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps and foreign exchange forward contracts.

Since its incorporation in October 2007, the Bank has diversified its earnings sources through investment diversification and consequently the outstanding amount of financial assets with credit risk has steadily grown. However, these investments are made with careful regard to the securities in which the Bank invests and the amount invested so that the occurrence of a credit risk event or other factors will not result in excessive losses.

(2) Details of financial instruments and associated risks

The financial assets held by the Bank are securities including Japanese bonds, which mainly consist of Japanese Government Bonds, and foreign bonds. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amount of these investments is significantly less than for bonds and other securities.

From the viewpoints of the Bank's asset and liability management (ALM), the Bank utilizes interest rate swaps as hedging instruments for interest rate-related transactions to avoid the risk of changes in future economic values of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related transactions, the Bank utilizes foreign exchange futures as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency denominated assets (bonds) held by the Bank and related yen translation amounts of redemption of principal and interest.

Derivatives which meet certain requirements are accounted for by the hedge accounting method to control the effect on financial accounting within a fixed range when utilizing derivatives for hedging purposes.

In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities. The Bank considers its hedging activities for offsetting changes in fair value to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same as the conditions stipulated for special accounting treatment for interest rate swaps. For some financial assets and liabilities, the Bank applies special accounting treatment for interest rate swaps.

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

The Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

(3) Risk management structure for financial instruments

a) Basic approach

The Executive Committee has established special advisory committees, the Risk Management Committee and the ALM Committee, to handle risk management responsibilities. These advisory committees submit risk management reports based on the nature of each risk and review risk management policies and measures.

b) Credit risk

The Bank manages credit risk using Value at Risk (VAR: a statistical method that identifies the maximum loss possible based on designated probabilities in the financial assets and liabilities held) based on internal guidelines to quantitatively measure the amount of credit risk. The Bank monitors and manages credit risk by first setting appropriate risk limits to reflect risk capital allocations. The Bank then ensures that credit risk does not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

In order to control credit concentration, the Bank has set credit limits for individual companies and corporate groups according to their creditworthiness and monitors the portfolios in an appropriate manner by adhering to these limits. The Risk Management Department oversees the Bank's internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Office assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the credit risk management structure, and matters related to the implementation of credit risk management.

c) Market risk

As per the Bank's ALM policy, the Bank makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, and share price fluctuations. However, based on internal guidelines regarding market risk management, the Bank measures the amount of market risk using the VaR statistical method. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures that market risk does not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the market risk management structure, and matters related to the implementation of market risk management.

In addition, the Bank has a distinctive asset and liability structure, with Japanese Government Bonds accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Bank's profit structure, the Bank closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

Policy with regard to its ALM is discussed and determined at meetings of the Executive Committee, and the status of its implementation is reported to the ALM Committee and the Executive Committee.

The Bank manages market risk that arises from derivative transactions by separating responsibility for executing transactions, evaluating the effectiveness of hedges and operational management, and by establishing an internal control structure, based on internal guidelines related to derivatives.

d) Funding liquidity risk

The Bank's funding liquidity risk management consists primarily of closely monitoring funding conditions and taking timely and appropriate actions. It then maintains appropriate liquidity reserves for unexpected fund outflows.

Through these steps, the Bank sets, monitors, and analyzes its funding liquidity indicators to ensure stable liquidity management.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the funding liquidity risk management structure and matters related to the implementation of funding liquidity risk management.

(4) Supplementary explanation of items related to the fair value of financial instruments

The Bank determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

b. Notes related to the fair values of financial instruments

The amounts on the balance sheet, the fair values, and the differences between the two as of March 31, 2010, were as follows. The fair values for unlisted equities are left out of the table below as it is extremely difficult to determine the fair value for these equities.

(Millions of yen)

	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 4,440,804	¥ 4,440,804	—
(2) Call loans	261,649	261,649	—
(3) Receivables under securities borrowing transactions	2,495,622	2,495,622	—
(4) Monetary claims bought	124,082	124,082	—
(5) Trading account securities			
Securities classified as trading purposes	196	196	—
(6) Money held in trust	1,015,355	1,015,355	—
(7) Securities			
Held-to-maturity securities	127,873,903	130,898,578	¥ 3,024,675
Available-for-sale securities	50,355,884	50,355,884	—
(8) Loans	4,022,547		
Reserve for possible loan losses**	(177)		
	4,022,370	4,072,076	49,706
(9) Other assets			
Deposits (to the fiscal loan fund)	2,000,000	2,000,000	—
Total assets	192,589,869	195,664,250	3,074,381
(1) Deposits	175,797,715	176,216,611	418,895
(2) Payables under securities lending transactions	6,236,017	6,236,017	—
(3) Borrowed money	2,000,000	2,000,000	—
Total liabilities	184,033,732	184,452,628	418,895
Derivative transactions***			
For which hedge accounting is not applied	207	207	—
For which hedge accounting is applied	(261)	(261)	—
Total derivative transactions	¥ (54)	¥ (54)	¥ —

* Items with negligible significance in terms of balance sheet amounts are omitted.

** Reserve for possible loan losses is the general reserve for possible loan losses corresponding to loans.

*** Figures are total derivative transactions recorded as other assets or other liabilities.

The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.

Hedges covered by designation of foreign exchange forward contracts are treated as being an inseparable part of the foreign securities being hedged, and the fair value is therefore included in the fair value of the corresponding foreign securities.

(Note 1)

Assets

(1) Cash and due from banks
The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Bank uses the book value. For due from banks that have a maturity date, contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value.

(2) Call loans and (3) Receivables under securities borrowing transactions
Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value.

(4) Monetary claims bought
The Bank uses the price displayed by the broker, etc.

(5) Trading account securities
The Bank uses the purchase price of the Bank of Japan as the fair value.

(6) Money held in trust
For invested securities representing trust assets in money held in trust, the Bank uses the price at the exchange market for equities and the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value.
Notes pertaining to money held in trust are included in the below "g. Money held in trust" of Note 21. FAIR VALUE INFORMATION FOR SECURITIES by purpose held.

(7) Securities
For bonds, the Bank uses a price calculated based on the exchange price, the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price displayed by the broker, etc as the fair value. The Bank uses the funds' unit price for investment trust as the fair value.
Notes pertaining to bonds are included in the below Note 21. FAIR VALUE INFORMATION FOR SECURITIES by purpose held.

(8) Loans
Loans with floating interest rates reflect market interest rates over the short term. Unless a borrower's credit standing has changed significantly after the loan was made, the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value. For fixed-rate loans, the Bank calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.
For loans that are collateralized within a designated percentage of the loan, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

(9) Other assets
Deposits (to the fiscal loan fund) recorded under other assets are settled within a short term (within one year), consequently the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Liabilities

(1) Deposits
For demand deposits including transfer deposits and ordinary deposits, the Bank uses the amount to be paid on the settlement date in the event a request is made (the book value) as the fair value.
For fixed-term deposits including time deposits and TEIGAKU deposits, the Bank classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Bank uses the interest rates on newly accepted fixed-term deposits as the discount rate.

(2) Payables under securities lending transactions
Payables under securities lending transactions are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

(3) Borrowed money
The repayment period for borrowed money is short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest rate swaps) and currency-related transactions (foreign exchange forward contracts), and the Bank calculates the fair value using factors including discounted present value, etc.

(Note 2)

Financial instruments for which the Bank deems it extremely difficult to determine a fair value were as follows. The fair value information for these financial instruments is not included in "Assets (7) Securities".

(Millions of yen)

Type	Amount on the balance sheet
Unlisted equities*	¥900

* Unlisted equities are omitted from fair value disclosure because they do not have a market price, and consequently it is deemed extremely difficult to determine a fair value.

(Note 3)

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal year ended March 31, 2010 were as follows:

(Millions of yen)

	One Year or Less	> One and ≤Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	¥ 4,323,257	—	—	—	—	—
Call loans	261,649	—	—	—	—	—
Receivables under securities borrowing transactions	2,495,622	—	—	—	—	—
Monetary claims bought	2,440	¥ 27,993	¥ 11,953	¥ 3,347	¥ 1,766	¥ 76,581
Securities						
Held-to-maturity securities	20,310,629	40,046,297	25,817,430	23,877,754	17,548,331	273,458
Japanese Government Bonds	18,632,471	37,708,081	23,635,359	22,482,526	15,104,763	273,458
Japanese local government bonds	779,350	860,146	1,330,316	697,333	44,457	—
Japanese corporate bonds	898,807	1,478,069	848,259	683,034	2,395,336	—
Other securities	—	—	3,495	14,860	3,774	—
Available-for-sale securities (with maturity date)	13,837,687	12,292,724	8,339,923	3,926,134	6,927,385	3,978,270
Japanese Government Bonds	12,717,404	10,022,771	4,860,411	2,548,701	4,881,425	3,024,187
Japanese local government bonds	17,775	109,331	302,514	303,918	801,754	42,302
Japanese corporate bonds	1,032,355	1,385,851	1,446,270	361,105	890,410	861,727
Other securities	70,152	774,769	1,730,727	712,407	353,793	50,053
Loans	637,405	682,102	990,489	555,714	626,738	530,097
Deposits (to the fiscal loan fund)	2,000,000	—	—	—	—	—
Total	¥43,868,692	¥53,049,117	¥35,159,797	¥28,362,950	¥25,104,222	¥4,858,409

(Note 4)
Scheduled repayment amounts of borrowed money and other interest-bearing liabilities subsequent to fiscal year ended March 31, 2010 were as follows:

(Millions of yen)

	One Year or Less	> One and ≤Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 94,277,034	¥13,432,696	¥7,747,545	¥13,491,067	¥ 46,849,371	¥—
Payables under securities lending transactions	6,236,017	—	—	—	—	—
Borrowed money	2,000,000	—	—	—	—	—
Total	¥102,513,051	¥13,432,696	¥7,747,545	¥13,491,067	¥46,849,371	¥—

* Demand deposits are included in "One Year or Less".

21. FAIR VALUE INFORMATION FOR SECURITIES
Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, trust beneficiary interests recorded under monetary claims bought and money held in trust, as well as Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, commercial paper, Japanese stocks, and other securities listed on the balance sheet.

a. Trading account securities
There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statement of income for the fiscal year ended March 31, 2010.

Net unrealized gains and amount on the balance sheet on trading account securities for the years ended March 31, 2010 and 2009 were as follows:

(Millions of yen)

	2009		2010	
	Amount on the balance sheet	Net unrealized gains	Amount on the balance sheet	Net unrealized gains
Trading account securities	¥159	—	¥196	—

b. Held-to-maturity securities

(Millions of yen)

2009				
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥119,610,125	¥121,953,899	¥2,343,773
	Japanese local government bonds	5,030,799	5,109,352	78,553
	Japanese corporate bonds	5,009,699	5,085,234	75,535
	Others	—	—	—
	Total	129,650,625	132,148,487	2,497,861
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	3,924,194	3,877,194	(47,000)
	Japanese local government bonds	248,206	246,607	(1,598)
	Japanese corporate bonds	542,780	541,079	(1,701)
	Others	—	—	—
	Total	4,715,181	4,664,881	(50,300)
Total		¥134,365,807	¥136,813,368	¥2,447,561

(Millions of yen)

2010				
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	¥116,086,507	¥118,889,842	¥2,803,334
	Japanese local government bonds	3,711,605	3,815,934	104,329
	Japanese corporate bonds	5,877,246	5,999,049	121,802
	Others	22,129	26,744	4,615
	Total	125,697,488	128,731,570	3,034,082
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,750,154	1,743,161	(6,992)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	426,260	424,514	(1,746)
	Others	—	—	—
	Total	2,176,414	2,167,676	(8,738)
Total		¥127,873,903	¥130,899,246	¥3,025,343

c. Investments in subsidiaries and affiliates

For the fiscal years ended March 31, 2010 and 2009, there were no investments in affiliates whose fair value was available.

Note: Securities of subsidiaries and affiliates whose fair value cannot be reliably determined for the fiscal years ended March 31, 2010 and 2009 were as follows:

(Millions of yen)

	2009	2010
	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates	¥900	¥900
Total	¥900	¥900

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

(Millions of yen)

2009				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds			
	Japanese Government Bonds	¥19,367,401	¥19,130,501	¥ 236,899
	Japanese local government bonds	735,574	725,668	9,905
	Japanese corporate bonds	3,028,638	2,998,834	29,804
	Others	542,370	533,012	9,357
	Total	23,673,984	23,388,016	285,967
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	12,588,434	12,660,137	(71,702)
	Japanese local government bonds	162,631	163,347	(715)
	Japanese corporate bonds	1,842,247	1,853,169	(10,921)
	Others	4,283,542	4,320,488	(36,946)
	Total	18,876,855	18,997,143	(120,287)
Total		¥42,550,840	¥42,385,159	¥ 165,680

(Millions of yen)

2010				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds			
	Japanese Government Bonds	¥28,143,112	¥27,786,574	¥356,538
	Japanese local government bonds	1,462,406	1,426,534	35,872
	Japanese corporate bonds	5,179,572	5,077,966	101,606
	Others	4,126,931	4,031,855	95,075
	Total	38,912,023	38,322,930	589,093
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds			
	Japanese Government Bonds	9,911,789	9,915,754	(3,965)
	Japanese local government bonds	115,190	115,548	(357)
	Japanese corporate bonds	798,149	799,353	(1,203)
	Others	1,822,814	1,832,626	(9,811)
	Total	12,647,943	12,663,282	(15,339)
Total		¥51,559,967	¥50,986,213	¥573,754

e. Held-to-maturity securities

Held-to-maturity securities sold during the fiscal years ended March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

2009			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥6,039,501	¥6,039,766	¥265
Total	¥6,039,501	¥6,039,766	¥265

(Millions of yen)

2010			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥2,690,177	¥2,691,369	¥1,192
Total	¥2,690,177	¥2,691,369	¥1,192

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

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

f. Available-for-sale securities

Available-for-sale securities sold during the fiscal years ended March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

2009			
	Sales proceeds	Total realized gains	Total realized losses
Available-for-sale securities	¥7,057,106	¥53,067	¥52,915
Total	¥7,057,106	¥53,067	¥52,915

(Millions of yen)

2010			
	Sales proceeds	Total realized gains	Total realized losses
Bonds			
Japanese Government Bonds	¥7,029,494	¥13,003	¥1,238
Others			
Foreign bonds	36,284	—	190
Total	¥7,065,778	¥13,003	¥1,429

g. Money held in trust

The Bank did not hold money held in trust for the purpose of trading nor holding to maturity for the fiscal years ended March 31, 2010 and 2009.

Money held in trust (excluding investment and held-to-maturity purposes) as of March 31, 2010 and 2009 was as follows:

(Millions of yen)

2009					
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥1,224,742	¥1,418,878	¥(194,135)	¥6,201	¥200,337

(Millions of yen)

2010					
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥1,015,355	¥944,044	¥71,311	¥113,828	¥(42,516)

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

2. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.

3. For the securities (equity securities) with market quotations that were under management as trust assets, whose fair value showed a substantial decline from their acquisition cost and was not judged to recover to its book value, the Bank reduced its book value of securities at fair value on the balance sheet and charged valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. The amount of impairment losses for the fiscal years ended March 31, 2010 and 2009 amounted to ¥8,270 million and ¥56,131 million, respectively. Securities were judged as impaired when their fair values showed a substantial decline from their book value.

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

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

h. Unrealized gains (losses) on available-for-sale securities:
Unrealized gains (losses) on available-for-sale securities for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Valuation differences:	¥ (28,455)	¥ 645,065
Available-for-sale securities	165,680	573,754
Available-for-sale money held in trust	(194,135)	71,311
Deferred tax assets (liabilities)	11,578	(262,472)
Unrealized gains (losses) on available-for-sale securities	¥ (16,877)	¥ 382,593

22. DERIVATIVES

a. Details of derivative transactions

(1) Derivative instruments

Derivative instruments which the Bank is utilizing include the following:

- Interest rate-related instruments: Interest rate swaps
- Currency-related instruments: Foreign exchange forward contracts

(2) Purposes and policies of using derivatives

From the viewpoints of the Bank's asset and liability management (ALM), the Bank utilizes interest rate swaps as hedging instruments for interest rate-related transactions to avoid the risk of changes in future economic values of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related transactions, the Bank utilizes foreign exchange forward contracts as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency denominated assets (bonds) held by the Bank and related yen translation amounts of redemption of principal and interest.

Derivatives which meet certain requirements are accounted for by the hedge accounting method to control the effect on financial accounting within a fixed range when utilizing derivatives for hedging purposes.

It is the Bank's policy to enter into derivative contracts in compliance with the "Basic Plan for ALM". Execution of transactions is compliant with defined internal rules including operating procedures for yen interest rate derivative transactions and operating procedures for foreign exchange hedging activities.

(3) Nature of risk

Derivatives involve principally market risk and credit risk.

The Bank defines market risk as the risk by which the Bank might be adversely affected arising from the changes in the value of assets and liabilities (including off-balance sheet items) due to changes in market risk factors, such as interest rates, foreign exchange rates, and stock prices, or by which the Bank might be affected arising from changes in earnings generated from assets and liabilities. The Bank does not enter into derivative contracts for speculative purposes, but for hedging purposes. Market risk involved in derivatives is mitigated and limited since the Bank designates derivatives as hedges and manages derivatives so that the risk profile would become homogeneous between hedged items and the derivatives as hedging instruments.

The Bank also defines credit risk as the risk that the value of assets (including off-balance sheet assets) might diminish or vanish and thus the Bank might be damaged from the deterioration of financial positions of credit counterparties. The counterparties of the Bank are mostly financial institutions with high credit ratings and credit risk is controlled by setting credit lines.

(4) Risk control system

The Bank has established the Risk Management Department as a middle office, systematically segregated from the front office and back office. The department is engaged in monitoring and controlling market risk and credit risk. Market risk of derivatives is controlled by measuring market risk exposure using VaR (Value at Risk) together with other assets and liabilities, and setting market risk limits and limits to market risk exposure to identify maximum losses, so that market risk exposure is maintained within the allocated amount of capital. In addition, credit risk is managed so that the credit balance per individual counterparties, calculated based on a current exposure method in which the fair value and future price fluctuation risk of derivatives are factored, remains within the credit line set by taking into account the credit status of individual counterparties.

b. Fair value of derivative transactions

(1) Derivatives for which hedge accounting not applied as of March 31, 2010 and 2009

For derivative transactions for which hedge accounting is not applied, the contract amounts at the balance sheet date for each type of underlying instrument, the principal equivalent amount stipulated in the contract, the fair value, unrealized gains or losses, and the method for calculating the corresponding fair value are as follows. The amount shown as the contract amount, etc. does not show market risk related to the derivative transactions.

a) Interest rate-related instruments: None as of March 31, 2010 and 2009

b) Currency-related instruments as of March 31, 2010 and 2009:
The Bank had the following derivative transactions outstanding as of March 31, 2010 and 2009:
Currency-related transactions (as of March 31, 2010)

(Millions of yen)

2009					
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts–bought	¥1,890	¥—	¥20	¥20
	Total	—	—	¥20	¥20

(Millions of yen)

2010					
Category	Type	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts–bought	¥11,822	¥—	¥207	¥207
	Total	—	—	¥207	¥207

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the statement of income.
2. The fair value is determined using the discounted present value of future cash flows.

c) Equity-related derivatives: None as of March 31, 2010 and 2009

d) Bond-related derivatives: None as of March 31, 2010 and 2009

e) Commodity-related derivatives: None as of March 31, 2010 and 2009

f) Credit derivatives: None as of March 31, 2010 and 2009

(2) Derivatives for which hedge accounting applied as of March 31, 2010
For derivative transactions for which hedge accounting is applied, the contract amount at the balance sheet date for each type of underlying transaction for each hedge accounting method, the principal equivalent amount stipulated in the contract, the fair value, and the method for calculating the corresponding fair value are as follows. The amount shown as the contract amount, etc. does not show market risk related to the derivative transactions.

a) Interest rate-related transactions

(Millions of yen)

2010					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap transactions Pay fixed swaps, receive floating swaps	Available-for-sale securities (Japanese Government Bonds)	¥1,470,830	¥1,470,830	¥8,512
Total			—	—	¥8,512

Notes: 1. The deferred hedge method is basically applied as the hedge accounting method for interest rate risks arising from financial assets and liabilities.
2. The fair value is determined using the discounted present value of future cash flows.

b) Currency-related transactions

(Millions of yen)

2010					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc. exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	¥401,031	¥384,458	¥ (8,773)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities (Foreign securities)	28,626	27,701	(Note 3)
Total			—	—	¥ (8,773)

Notes: 1. Deferred hedging is used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.
2. The fair value is determined using the discounted present value of future cash flows.
3. The accounting method translating foreign currency receivables at forward rates is treated as being an inseparable part of the contract being hedged, and the fair value is therefore included in the fair value of the corresponding contract under Note 20. FINANCIAL INSTRUMENTS.

23. LOANS

"Loans to bankrupt borrowers", "Past-due loans", "Past-due loans for three months or more", and "Restructured loans" did not exist as of March 31, 2010 and 2009.

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The Bank will make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of various terms and conditions stipulated in the relevant loan agreement.

The unused commitment balance relating to these loan agreements as of March 31, 2010 amounted ¥5,235 million. Of this amount, ¥2,500 million related to loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time.

The unused commitment balance relating to these loan agreements as of March 31, 2009 amounted ¥26,200 million. Of this amount, ¥26,200 million related to loans in which the term of the agreement was less than one year or unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Bank to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank's credit. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank established internal procedures and takes necessary measures to protect its credit.

24. RESERVE FOR RETIREMENT BENEFITS

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

Reserve for employees' retirement benefits as of March 31, 2010 and 2009 consisted of the following:

(Millions of yen)

	2009	2010
Projected benefit obligation	¥ (124,752)	¥(126,275)
Unfunded projected benefit obligation	(124,752)	(126,275)
Unrecognized net actuarial losses	(2,832)	(2,740)
Net amount recorded on the balance sheets	(127,584)	(129,015)
Reserve for employees' retirement benefits	¥ (127,584)	¥(129,015)

The breakdown of total retirement benefit costs for the years ended March 31, 2010 and 2009 was as follows:

(Millions of yen)

	2009	2010
Service cost	¥5,922	¥5,965
Interest cost on projected benefit obligation	2,117	2,128
Amortization of unrecognized net actuarial losses	(57)	(288)
Total retirement benefit costs	¥7,982	¥7,805

Assumptions used in the calculation of the above information for the years ended March 31, 2010 and 2009 are set forth as follows:

(Millions of yen)

	2009	2010
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Discount rate	1.7%	1.7%
Amortization period of unrecognized actuarial losses	10 years	10 years

25. INCOME TAXES

Income taxes, which consist of corporation, inhabitant, and enterprise taxes, are calculated based on taxable income.

The Bank is subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.69% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

(Millions of yen)

	2009	2010
Deferred tax assets:		
Reserve for possible loan losses	¥ 442	¥ 633
Reserve for employees' retirement benefits	51,913	52,495
Accumulated depreciation	20,847	17,457
Accrued interest on deposits	22,265	27,825
Impairment losses of money held in trust	11,764	11,235
Net unrealized losses on available-for-sale securities	11,578	
Other	26,213	16,683
Total deferred tax assets	145,025	126,331
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	—	(262,472)
Other	—	(9,067)
Total deferred tax liabilities	3,751	(271,539)
Net deferred tax assets (liabilities)	¥141,273	¥(145,208)

For the fiscal years ended March 31, 2010 and 2009, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

26. PROFIT OR LOSS FROM EQUITY METHOD

The details for the fiscal years ended March 31, 2010 and 2009 were as follows:

(Millions of yen)

	2009	2010
Investments in affiliates	¥ 900	¥900
Investments, if equity method accounting is adopted	791	805
Investment gains (losses), if equity method accounting is adopted	(108)	14

27. RELATED PARTY TRANSACTIONS

a. Transactions with related parties

(1) Transactions between the Bank and related parties for the years ended March 31, 2010 and 2009 were as follows:

For the year ended March 31, 2009
JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares
Capital	¥3,500,000 million
Nature of transactions	Concurrent holding of positions by executive management directors
Details of transactions	Payments of grants*
Transaction amount	¥97,732 million
Account	—
Outstanding balance at end of the fiscal year	—

* Payment is made pursuant to Article 122 of the Postal Service Privatization Law.

For the year ended March 31, 2010
JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares	
Capital	¥3,500,000 million	
Nature of transactions	Concurrent holding of positions by executive management directors	
Details of transactions	Payments of grants*	
	Transaction amount: ¥73,008 million	
	Payments of IT system (PNET) service charge**	
	Transaction amount: ¥37,619 million Payments of management fees*** Transaction amount: ¥4,431 million	
Account	Other liabilities**	Other liabilities***
Outstanding balance at end of the fiscal year	¥3,315 million	¥387 million

* Payment is made pursuant to Article 122 of the Postal Service Privatization Law.
** Payment is made for data processing services using JAPAN POST GROUP internal networks in accordance with a contract with the parent company, at rates determined based on general transactions.
*** Payment of management fees is determined based on the total costs incurred in regard to business management conducted by the parent company.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:
None for the fiscal years ended March 31, 2010 and 2009

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates for the years ended March 31, 2010 and 2009 were as follows:

For the year ended March 31, 2010
JAPAN POST NETWORK Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil		
Capital	¥100,000 million		
Nature of transactions	Consignment of banking agency operations and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to banking agency operations	
Transaction amount	¥632,587 million	¥1,347,287 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥53,409 million	¥1,340,000 million	¥24,387 million

* The figures are determined based on the total costs incurred in connection with the services provided by the service outsourcing companies.
** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2010.
*** The figures represent the unsettled amount between the Bank and JAPAN POST NETWORK Co., Ltd. in connection with receipt/payment operations with customers based on the banking agency service agreement. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.
Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

JAPAN POST SERVICE Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil
Capital	¥100,000 million
Nature of transactions	Consignment contracts for logistics operations
Details of transactions	Payment of consignment fees for logistics operations****
Transaction amount	¥2,456 million
Account	Other liabilities
Outstanding balance at end of the fiscal year	¥294 million

**** In accordance with contracts with JAPAN POST SERVICE Co., Ltd., payment is made of fees for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on general transactions.
Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

For the year ended March 31, 2009
JAPAN POST NETWORK Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil		
Capital	¥100,000 million		
Nature of transactions	Consignment of banking agency operations and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to banking agency operations	
Transaction amount	¥648,147 million	¥1,380,712 million	—
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of the fiscal year	¥54,826 million	¥1,340,000 million	¥38,443 million

* The figures are determined based on the total costs incurred in connection with the services provided by the service outsourcing companies.

** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal years ended March 31, 2009.

*** The figures represent the unsettled amount between the Bank and JAPAN POST NETWORK Co., Ltd. in connection with receipt/payment operations with customers based on the banking agency service agreement. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

(4) Receivables from and payables due to directors and/or executive officers
None

b. Notes related to the parent company and/or significant affiliates
(1) Information on the parent company
JAPAN POST HOLDINGS Co., Ltd. (Unlisted)

(2) Information on significant affiliates
None

28. PER SHARE DATA
Net assets per share at March 31, 2010 and 2009 and net income per share for the years then ended were as follows:

(yen)

	2009	2010
Net assets per share	¥54,530.49	¥58,930.31
Net income per share	1,529.08	1,978.38

Net assets per share for the fiscal years ended March 31, 2010 and 2009 were calculated based on the following:

(Millions of yen)

	2009	2010
Net assets	¥8,179,574	¥8,839,547
Net assets attributable to common stock at the end of the fiscal year	8,179,574	8,839,547
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	150,000	150,000

Net income per share data for the fiscal years ended March 31, 2010 and 2009 were calculated based on the following:

(Millions of yen)

	2009	2010
Net income	¥229,363	¥296,758
Net income attributable to common stock	229,363	296,758
Average number of common stock outstanding during the fiscal year (thousand shares)	150,000	150,000

Note: Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2010 and 2009.

29. SUBSEQUENT EVENT
None

7. Japan Post Insurance Co., Ltd. —Non-consolidated Financial Data

The consolidated balance sheets as of March 31, 2010 and 2009 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Group Companies were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan. (The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheets

(Millions of yen)

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Assets		
Cash and deposits	¥ 2,279,210	¥ 2,287,864
Cash	7,416	6,510
Deposits	2,271,794	2,281,353
Call loans	460,258	353,889
Receivables under securities borrowing transactions	1,033,977	799,678
Monetary claims bought	4,527	8,058
Money held in trust	409,123	175,038
Securities	83,326,846	80,341,503
Japanese government bonds	69,673,325	67,617,608
Japanese local government bonds	4,556,326	5,128,174
Japanese corporate bonds	8,213,710	6,937,524
Foreign securities	883,483	658,195
Loans	18,341,808	16,260,524
Policy loans	440	3,101
General loans	217,386	351,527
Loans to Management Organization for Postal Savings and Postal Life Insurance	18,123,982	15,905,896
Tangible fixed assets	115,906	99,297
Land	40,726	40,726
Buildings, net	36,485	34,982
Lease assets	–	724
Construction in progress	28	97
Others, net	38,666	22,767
Intangible fixed assets	72,912	89,289
Software	72,895	89,268
Others	16	21
Agency accounts receivable	96,140	111,507
Other assets	262,121	252,369
Accounts receivable	14,189	13,434
Prepaid expenses	238	1,341
Accrued income	241,771	231,721
Cash segregated as deposits	1,205	1,753
Suspense payments	2,864	1,627
Other assets	1,852	2,490
Deferred tax assets	175,888	191,661
Allowance for doubtful accounts	(759)	(902)
Total assets	**¥106,577,963**	**¥100,969,782**

Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Liabilities		
Policy reserves	¥ 102,727,247	¥ 97,226,858
Reserve for outstanding claims	1,165,595	1,131,793
Policy reserves	98,801,221	93,417,099
Reserve for policyholders' dividends	2,760,430	2,677,965
Due to reinsurers	237	253
Other liabilities	2,277,410	2,090,736
Payable under securities lending transactions	1,321,335	1,029,168
Income taxes payable	–	10,378
Accounts payable	585,386	846,232
Accrued expenses	14,854	13,841
Unearned revenues	1	–
Deposits received	11,536	13,125
Deposit received from Management Organization for Postal Savings and Postal Life Insurance	322,468	164,678
Derivatives	–	2,510
Lease obligations	–	793
Suspense receipt	20,970	9,315
Other liabilities	857	692
Reserve for possible claims payment	–	6,914
Reserve for employees' retirement benefits	53,667	54,147
Reserve for directors' retirement benefits	62	96
Reserve under the special law	446,581	421,408
Reserve for price fluctuations	446,581	421,408
Total liabilities	**¥105,505,207**	**¥ 99,800,415**
Net assets		
Capital stock	¥ 500,000	¥ 500,000
Capital surplus	500,044	500,044
Legal capital surplus	405,044	405,044
Other capital surplus	95,000	95,000
Retained earnings	66,174	126,722
Legal retained earnings	–	1,915
Other retained earnings	66,174	124,806
Retained earnings brought forward	66,174	124,806
Total shareholders' equity	1,066,218	1,126,766
Net unrealized gains (losses) on securities	6,537	42,599
Total valuation and translation adjustments	6,537	42,599
Total net assets	**¥ 1,072,756**	**¥ 1,169,366**
Total liabilities and net assets	**¥106,577,963**	**¥100,969,782**

2 Statements of Income

(Millions of yen)

Item	2009 (For the year ended March 31,2009)	2010 (For the year ended March 31,2010)
Ordinary income	**¥15,533,727**	**¥14,591,640**
Insurance premiums and others	**7,881,174**	**7,505,609**
Insurance premiums	7,881,174	7,505,609
Investment income	**1,713,929**	**1,665,926**
Interest and dividends income	1,646,201	1,616,041
Interest on bank deposits	5,342	1,275
Interest and dividends on securities	1,105,874	1,141,123
Interest on loans	1,707	5,553
Interest on loans to Management Organization for Postal Savings and Postal Life Insurance	521,851	465,915
Other interest and dividends	11,426	2,173
Gains on money held in trust	–	38,799
Gains on sales of securities	66,632	10,077
Gains on redemption of securities	36	41
Other investment income	1,058	966
Other ordinary income	**5,938,624**	**5,420,103**
Reversal of outstanding claims	–	33,801
Reversal of policy reserves	5,934,141	5,384,121
Other ordinary income	4,483	2,180
Ordinary expenses	**15,319,442**	**14,212,016**
Insurance claims and others	**13,935,765**	**13,523,972**
Insurance claims	13,866,946	13,404,736
Annuity payments	14,765	38,409
Benefits	1,007	6,697
Surrender benefits	10,347	31,429
Other refunds	42,697	42,699
Provision for policy reserves and others	**302,778**	**21,483**
Provision for reserves for outstanding claims	277,421	–
Provision for interest portion of reserve for policyholders' dividends	25,357	21,483
Investment expenses	**469,410**	**31,180**
Interest expenses	5,987	2,866
Losses on money held in trust	296,779	–
Losses on sales of securities	107,165	26,443
Losses on valuation of securities	58,738	–
Losses on redemption of securities	74	138
Losses on derivatives	–	204
Foreign exchange losses	230	915
Provision for allowance for doubtful accounts	13	7
Other investment expenses	421	605
Operating expenses	**548,122**	**549,298**
Other ordinary expenses	**63,364**	**86,080**
Taxes	37,455	36,908
Depreciation	23,896	40,996
Provision for reserve for possible claims payment	–	6,914
Provision for reserve for employees' retirement benefits	856	216
Provision for reserve for directors' retirement benefits	42	34
Others	1,112	1,010
Net ordinary income	**214,285**	**379,623**
Extraordinary income	**115,731**	**25,192**
Reversal of reserve under the special law	112,420	25,173
Reversal of reserve for price fluctuations	112,420	25,173
Others	3,311	18
Extraordinary losses	**1,844**	**77**
Losses on disposal of fixed assets	1,844	77
Provision for reserve for policyholders' dividends	**275,913**	**294,394**
Income before income taxes	**52,258**	**110,343**
Income taxes-current	**29,534**	**76,460**
Income taxes-deferred	**(15,593)**	**(36,243)**
Total income taxes	**13,941**	**40,216**
Net income	**¥ 38,316**	**¥ 70,126**

3 Statements of Changes in Net Assets

(Millions of yen)

	2009 (For the year ended March 31, 2009)	2010 (For the year ended March 31, 2010)
Shareholders' equity:		
Capital stock:		
Balance at the end of previous period	¥ 500,000	¥ 500,000
Balance at the end of current period	¥ 500,000	¥ 500,000
Capital surplus:		
Legal capital surplus:		
Balance at the end of previous period	¥ 500,044	¥ 405,044
Changes of items during the period:		
Reversal of legal capital surplus	(95,000)	–
Total changes during the period	(95,000)	–
Balance at the end of current period	¥ 405,044	¥ 405,044
Other capital surplus:		
Balance at the end of previous period	¥ –	¥ 95,000
Changes of items during the period:		
Increase in other capital surplus	95,000	–
Total changes during the period	95,000	–
Balance at the end of current period	¥ 95,000	¥ 95,000
Total capital surplus:		
Balance at the end of previous period	¥ 500,044	¥ 500,044
Changes of items during the period:		
Reversal of legal capital surplus	(95,000)	–
Increase in other capital surplus	95,000	–
Total changes during the period	–	–
Balance at the end of current period	¥ 500,044	¥ 500,044
Retained earnings:		
Legal retained earnings:		
Balance at the end of previous period	¥ –	¥ –
Changes of items during the period:		
Dividends	–	1,915
Total changes during the period	–	1,915
Balance at the end of current period	¥ –	¥ 1,915
Other retained earnings:		
Retained earnings brought forward :		
Balance at the end of previous period	¥ 27,858	¥ 66,174
Changes of items during the period:		
Dividends	–	(11,494)
Net income	38,316	70,126
Total changes during the period	38,316	58,631
Balance at the end of current period	¥ 66,174	¥ 124,806

	2009 (For the year ended March 31, 2009)	2010 (For the year ended March 31, 2010)
Total Retained earnings:		
Balance at the end of previous period	¥ 27,858	¥ 66,174
Changes of items during the period:		
Dividends	–	(9,579)
Net income	38,316	70,126
Total changes during the period	38,316	60,547
Balance at the end of current period	¥ 66,174	¥ 126,722
Total shareholders' equity:		
Balance at the end of previous period	¥1,027,902	¥1,066,218
Changes of items during the period:		
Reversal of legal capital surplus	(95,000)	–
Increase in other capital surplus	95,000	–
Dividends	–	(9,579)
Net income	38,316	70,126
Total changes during the period	38,316	60,547
Balance at the end of current period	¥1,066,218	¥1,126,766
Valuation and translation adjustments:		
Net unrealized gains(losses) on securities:		
Balance at the end of previous period	¥ (123,651)	¥ 6,537
Changes of items during the period:		
Net changes of items other than shareholders' equity	130,188	36,062
Total changes during the period	130,188	36,062
Balance at the end of current period	¥ 6,537	¥ 42,599
Total net unrealized gains(losses) on securities:		
Balance at the end of previous period	¥ (123,651)	¥ 6,537
Changes of items during the period:		
Net changes of items other than shareholders' equity	130,188	36,062
Total changes during the period	130,188	36,062
Balance at the end of current period	¥ 6,537	¥ 42,599
Total net assets:		
Balance at the end of previous period	¥ 904,250	¥1,072,756
Changes of items during the period:		
Reversal of legal capital surplus	(95,000)	–
Increase in other capital surplus	95,000	–
Dividends	–	(9,579)
Net income	38,316	70,126
Net changes of items other than shareholders' equity	130,188	36,062
Total changes during the period	168,505	96,610
Balance at the end of current period	¥1,072,756	¥1,169,366

4 Statements of Cash Flows

(Millions of yen)

	2009 (For the year ended March 31, 2009)	2010 (For the year ended March 31, 2010)
Cash flows from operating activities:		
Net income before income taxes	¥ 52,258	¥ 110,343
Depreciation	23,896	40,996
Increase (decrease) in reserve for outstanding claims	277,421	(33,801)
Increase (decrease) in policy reserves	(5,934,141)	(5,384,121)
Interest portion of reserve for policyholders' dividends	25,357	21,483
Provision (reversal) for reserve for policyholders' dividends	275,913	294,394
Increase (decrease) in allowance for doubtful accounts	51	142
Increase (decrease) in reserve for possible claims payment	–	6,914
Increase (decrease) in reserve for employees' retirement benefits	1,351	480
Increase (decrease) in reserve for directors' retirement benefits	42	34
Increase (decrease) in reserve for price fluctuations	(112,420)	(25,173)
Interest, dividends and other income	(1,646,201)	(1,616,041)
Losses (gains) on money held in trust	296,779	(38,799)
Losses (gains) related to securities	99,309	16,462
Interest expenses	5,987	2,866
Losses (gains) on derivatives	–	204
Foreign exchange losses (gains)	230	915
Losses (gains) related to tangible fixed assets	1,449	65
Net decrease (increase) in agency accounts receivable	41,613	(15,367)
Decrease (increase) in other investing and financing activities assets	9,434	(9,254)
Net increase (decrease) in reinsurance accounts payable	45	15
Increase (decrease) in other investing and financing activities liabilities	(246,199)	(168,717)
Others	(3,418)	(936)
Subtotal	(6,831,238)	(6,796,893)
Interest and dividends income received	1,885,530	1,776,776
Interest expenses paid	(6,191)	(2,883)
Dividends to policyholders paid	(396,351)	(397,653)
Income taxes paid	(178,734)	(20,192)
Net cash provided by (used in) operating activities	**(5,526,985)**	**(5,440,846)**
Cash flows from investing activities:		
Payments for purchase of call loans	(34,180,058)	(30,031,989)
Proceeds from redemption of call loans	34,508,486	30,138,358
Payments of purchase of monetary claims bought	(34,588)	(3,500)
Proceeds from sales and redemption of monetary claims bought	89,970	–
Proceeds from decrease in money held in trust	1,355,595	290,030
Payments for purchase of securities	(17,113,164)	(12,267,218)
Proceeds from sales and redemption of securities	19,534,039	15,186,248
Payments of loans	(2,967,687)	(2,668,111)
Proceeds from collection of loans	4,547,148	4,749,354
Net increase (decrease) in receivables/payables under securities borrowing transactions	105,671	(57,869)
Others	(57,575)	167,892
Subtotal	5,787,837	5,503,195
Total of net cash provided by (used in) operating activities and investment transactions as above	**260,852**	**62,348**
Payments for purchase of tangible fixed assets	(31,117)	(5,259)
Proceeds from sales of tangible fixed assets	316	2
Payments for purchase of intangible fixed assets	–	(38,738)
Others	(30,980)	(349)
Net cash provided by (used in) investing activities	**5,726,056**	**5,458,850**
Cash flows from financing activities:		
Proceeds involved in Sale and Lease-back transaction	–	229
Dividends paid	–	(9,579)
Net cash provided by (used in) financing activities	**–**	**(9,349)**
Effect of exchange rate changes on cash and cash equivalents	**–**	**–**
Net increase (decrease) in cash and cash equivalents	**199,070**	**8,653**
Cash and cash equivalents at beginning of period	**2,080,139**	**2,279,210**
Cash and cash equivalents at end of period	**¥2,279,210**	**¥2,287,864**

5 Notes to Financial Statements

1. Notes on Going-Concern Assumption
Not applicable

2. Summary of Significant Accounting Policies
Note: Amounts of less than one million yen have been truncated. As a result, yen totals shown herein do not necessarily agree with the sum of the individual amounts.

(1) Securities
Securities (including those securities that are included in 'deposits' and 'monetary claims bought' and deemed equivalent to securities) are classified and accounted for as follows:
(i) Held-to-maturity securities are stated at amortized cost using the moving-average method (straight-line method).
(ii) Policy reserve-matching bonds (in accordance with Industry Audit Committee Report No.21, 'Temporary Treatment of Accounting and Auditing Concerning Policy reserve-matching bonds in the Insurance Industry', issued by the Japanese Institute of Certified Public Accountants) are stated at amortized cost using the moving-average method (straight-line method).
(iii) Available-for-sale securities
a. Available-for-sale securities with market value
Available-for-sale securities which have market value are valued at market value at the end of the fiscal year, with cost determined by the moving average method.
b. Available-for-sale securities without market value
・Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment
Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment, are valued at the amortized cost, determined by the moving average method.
・Others
All others are valued at cost using the moving average method.
Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the statements of income.

(2) Money held in trust
Securities which are part of money held in trust (other than for trading securities and held-to-maturity securities) are stated at market value as of the balance sheet date. Note that the values of shares are determined using the average market price over the past one month.
Property which is part of trust assets is stated net of accumulated depreciation. Buildings are depreciated by the straight-line method and components of property other than buildings are depreciated by the declining-balance method.
The net unrealized gains or losses with respect to money held in trust is directly charged to net assets.

(3) Derivatives
Derivatives are stated at market value.

(4) Depreciation/amortization of tangible fixed assets
Tangible fixed assets are depreciated as follows:
Buildings: Straight-line method
Lease assets with respect to non-ownership-transfer finance leases: Straight-line method over the lease term
Others: Declining-balance method

(5) Depreciation/amortization of intangible fixed assets
Intangible fixed assets are amortized as follows:
Software: Straight-line method over the prescribed useful lives.

(6) Foreign currency
Foreign currency assets and liabilities are translated into yen at the foreign exchange rates prevailing on the balance sheet date.
As stated in the Corporation Tax Law, assets and liabilities involving significant fluctuations in foreign exchange rates that seem unrecoverable are translated using the exchange rates prevailing on the balance sheet date.

(7) Allowance and reserve
(i) Allowance for doubtful accounts
Japan Post Insurance's allowance for doubtful accounts is provided pursuant to its standards for self-assessment of asset quality, and general allowance is providing using a rate determined by past bad debt experience. In addition, specific allowance, which are determined after reviewing individual collectability of accounts, are provided for.
For all loans and claims, the relevant department in Japan Post Insurance performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.
For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2010 was ¥271 million.
(ii) Reserve for possible claims payment
In order to provide for additional insurance claims with potential for accrual, allowance of additional insurance claims set aside by estimated additional amount, based on the result of the investigation whether there are some cases in which additional insurance claims should be paid.
(iii) Reserve for employees' retirement benefits
Reserve for employees' retirement benefits is recorded in the amount which is considered to have accrued in the current fiscal year in line with the 'Statement of Opinion on the Establishment of Accounting Standard for Retirement Benefits,' issued by the Business Accounting Council on June 16, 1998.
(Changes in Accounting Policies)
Effective as of the end of fiscal year ended March 31, 2010, Japan Post Insurance has adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan <ASBJ> Statement No. 19 issued on July 31, 2008). There was no impact on the retirement benefit obligation as a result of this change, because of continuing use of the discount rate in previous method.
(iv) Reserve for directors' retirement benefits
Reserve for directors' retirement benefits is recorded in an actual amount recognized at the current year-ended based on the company's regulations in accordance with 'Auditing Treatment relating to Reserve defined under the Special Taxation Measurement Law, Reserve defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits' (revised by JICPA on April 13, 2007).

(8) Reserve for price fluctuations
Pursuant to requirements under Article 115 of the Insurance Business Law, the Company maintains a reserve for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations.

(9) Hedge Accounting
(i) Methods for Hedge Accounting
The fair value hedge method is used for hedges by foreign currency forward contracts against exchange rate fluctuations in the value of certain foreign currency denominated securities.
The special treatment for interest rate swaps is applied for hedges of certain general loans only where the interest rate swaps satisfy the requirements for hedge accounting.
(ii) Hedging Instruments and Hedged Items

Hedging instruments	Hedged items
Foreign currency forward contracts	Foreign currency-denominated securities
Interest rate swaps	General loans

(iii) Hedging Policies
Japan Post Insurance conducts hedging transactions with regard to certain foreign currency risks of underlying bonds in foreign currency to be hedged and interest rate risks of underlying loans in foreign currency to be hedged.
(iv) Assessment of Hedge Effectiveness
Hedge effectiveness is assessed by a comparison of fluctuations in fair values (or cash flows) of hedged and hedging instruments.
However, Japan Post Insurance omits the assessment of hedge effectiveness for foreign currency forward contracts, which show strong correlations between hedged items and hedging instruments, and interest rate swaps, which are applied special accounting treatment for interest rate swaps.

(10) Definition of Cash in Statement of Cash Flows
Cash and cash equivalents, for the purpose of reporting cash flows, are composed of cash in hand and deposits held at call with banks.

(11) Other important assumption for financial statements
(i) Consumption tax with respect to the accounting of consumption tax and local consumption tax:
All figures are net of consumption tax.

(ii) Policy reserve:

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

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

b. Reserve for other contracts are computed based on the net level premium method.

(iii) Consolidated tax payment system:

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

(Additional information)

Effective April1, 2009, Japan Post Insurance had adopted Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10) and ASBJ Guidance No. 19 Guidance on Disclosures about Fair Value of Financial Instruments, both released on March 10, 2008.

3. Notes to Balance Sheets

(1) The amount of securities in trust established to engage in securities lending transactions for income is ¥2,002,968 million.

Under the securities indenture, the amount of securities lent in securities borrowing and lending transactions with cash collateral is ¥ 998,758 million and the carrying amount of cash collateral for these securities borrowing and lending transactions is ¥ 1,029,168 million at book value.

On the other hand, the amount of holding securities out of that borrowed in securities borrowing and lending transactions with cash collateral is ¥798,351 million at market value.

(2) Carrying value, market value and risk management policy for policy reserve-matching bonds are as follows:

(i) The carrying value of policy reserve-matching bonds on the balance sheet is ¥36,268,618 million and the market value is ¥37,164,458 million.

(ii) Risk management policy for policy reserve-matching bonds is as follows; Japan Post Insurance has set up sub-categories according to the characteristics of the insurance contracts. The durations of the bonds earmarked for policyholders and those of policy reserves in each sub-categories are matched within a fixed range to manage interest rate fluctuation risk.

The durations of the policy reserve-matching bonds and the policy reserves in each sub-categories are periodically ascertained.

(3) Accumulated depreciation on tangible fixed assets: ¥35,329 million.

(4) Total amount of monetary assets to related parties is ¥10 million and total amount of monetary liabilities to related parties is ¥51,319 million.

(5) The following shows changes in reserve for policyholders' dividends:

Balance at the end of previous fiscal year	¥2,760,430 million
Dividend to Policyholders paid during the year	¥397,653 million
Increase due to interest accrued during the year	¥21,483 million
Decrease due to purchasing additional benefit contracts	¥690 million
Provision for reserve for policyholders' dividends	¥294,394 million
Balance at the end of the current fiscal year	¥2,677,965 million

(6) In accordance with Article 259 of the Insurance Business Law, the amounts of future contributions to the Life Insurance Policyholders Protection Corporation of Japan, are estimated to be ¥3,237 million at the end of the current fiscal year.

The contribution amounts are recognized as operating expenses at the time of payment.

(7) Policy reserves (except for the risk reserve) which related to the reinsurance contracts undertaken by the Management Organization for Postal Savings and Postal Life Insurance amounted to ¥85,186,368 million. The amount is calculated in accordance with the calculation method prescribed by the company for the premiums and policy reserves, and thus it exceeds the amount calculated according to the method prescribed in the calculation rule on policy reserves for Postal Life Insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No.101, 2005).

Japan Post Insurance has also booked a risk reserve of ¥2,931,741 million and a reserve for price fluctuation of ¥420,622 million for these reinsurance contracts.

(8) "Deposit received from the Management Organization for Postal Savings and Postal Life Insurance" as stated on the balance sheet is equivalent to the indemnification and litigation reserve which was previously accounted for by the Management Organization for Postal Savings and Postal Life Insurance; and was transferred to the Japan Post Insurance at the time of privatization, as stipulated under the insurance business consignment agreement with the Management Organization for Postal Savings and Postal Life Insurance.

(9) In order to provide for additional insurance claims with potential for accrual, the amount of allowance of additional insurance claims which set aside by estimated additional amount, based on the result of the investigation whether there are some cases in which additional insurance claims should be paid, is ¥6,914 million.

4. Notes to Statements of Income

(1) Revenue from related parties' transactions amounted to ¥8 million, while expenses are ¥8,088 million.

(2) Main components of the gains on sales of securities are those of ¥7,885 million on sales of Japanese government bonds and other bonds and ¥2,192 million on sales of foreign securities.

(3) Losses on disposal of securities mainly comprised of ¥135 million from the sale of Japanese government bonds and other bonds and ¥26,307 million from the sale of foreign securities.

(4) Gains on money held in trust include impairment losses of ¥1,017 million.

(5) Insurance premiums include premiums of ¥4,743,836 million for accepted reinsurance paid by the Management Organization for Postal Savings and Postal Life Insurance in accordance with an reinsurance contract concluded with Japan Post Insurance.

(6) Insurance claims include an insurance payment ¥13,399,802 million to the Management Organization for Postal Savings and Postal Life Insurance under the reinsurance contract concluded with Japan Post Insurance.

5. Notes to Statements of Changes in Net Assets

(1) Information concerning type and number of outstanding shares:

(Thousands of shares)

	Number of shares as of the previous fiscal year-end	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares as of the fiscal year-end
Shares issued				
Common stock	20,000	–	–	20,000

(2) Matters concerning dividends:

Dividends paid applicable to the current fiscal year:

Date of resolution	Type of shares	Total amount of shareholder dividends (Millions of yen)	Shareholder dividends per share (yen)	Record Date	Effective date
Board meeting held on May 21, 2009	Common stocks	9,579	478.95	March 31, 2009	May 22, 2009

6. Notes to Statements of Cash Flows

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

Cash and deposits	¥2,287,864 million
Cash and cash equivalents	¥2,287,864 million

7. Deferred Tax Assets

Significant components of deferred tax assets and liabilities of Japan Post Insurance as of March 31, 2010 are summarized below:

Deferred tax assets:	
Losses on money held in trust	¥10,215 million
Reserve for outstanding claims	¥53,473 million
Policy reserves	¥103,609 million
Reserve for bonus payments	¥1,182 million
Reserve for employees' retirement benefits	¥19,606 million
Net unrealized gains (losses) available-for-sale on securities	¥4,661 million
Reserve for price fluctuations	¥16,519 million
Others	¥11,680 million
Subtotal	¥220,949 million
Valuation allowance	¥(201) million
Total deferred tax assets	¥220,747 million
Deferred tax liabilities:	
Net unrealized gains (losses) available-for-sale on securities	¥(28,843) million
Others	¥(242) million
Total deferred tax liabilities	¥(29,085) million

8. Financial Instruments

(1) Financial Instruments

(i) Policies in Utilizing Financial Instrument

In our asset management, to maintain of sound management and to ensure payments of insurance claims and other benefits, we structure long-term yen-rate asset portfolio taking into characteristics of liabilities and promote the cash flow matching between assets and liabilities. Also we address the strengthening of the risk management system and on the other hand, from the point of view of increasing profitability, we work on investments in yen-denominated assets of local government bonds, corporate bonds and so on, which can are expected to relatively higher yield than one of Japanese government bonds.

We position derivatives as principal hedging instruments for interest rate risk and foreign currency risk associated with operating assets and we use derivatives only to hedge their risks but don't use them for speculation purposes.

(ii) Financial Instruments Used and Their Risks

The financial assets held by Japan Post Insurance are principally securities and loans and these held under ALM. Securities of them are exposed to credit risks with regards to the issue, market fluctuation risks and interest rate risks. Additionally foreign-currency-denominated bonds of these securities are exposed to foreign currency risks. Also we hold loans with variable interest rates and they are exposed to interest rate risks.

Principal derivatives which are used in Japan Post Insurance are foreign currency forward contracts and interest rate swaps. We position these derivatives as principal hedging instruments for foreign currency risk and interest rate risk and we use derivatives only to hedge their risks but don't use them for speculation purposes. As a result, market-related risks in derivatives transactions are offset by effect of these hedges and their risks are limited.

(iii) Risk Management

a. Market risk management

・Market fluctuation risk

Japan Post Insurance sets a policy of investment that is based on stable managements by investing to yen-interest assets centering on Japanese government bonds and thereby market fluctuation risks associated with investment to securities except for held-to-maturity and available-for-sale securities are limited. In control of market fluctuation risks, Risk Management Department calculate and control amount of market fluctuation risks with VaR, based on internal rules for control of market risks, and periodically report to Risk Management Committee.

・Foreign currency risk

As described above, we invest mainly among yen-interest assets and therefore foreign currency risks for investing to foreign-currency-denominated assets are limited.

Risk Management Department calculate and control amount of foreign currency risks with VaR, based on internal rules for control of market risks, and periodically report to Risk Management Committee. And we conduct foreign currency forward contracts at the time of purchase of some foreign-currency-denominated bonds and adopt hedge accounting, and accordingly foreign currency risks for these bonds are avoided.

・Interest rate risk

We reduce interest rate risks by assets management based on ALM. Risk Management Department calculate and control amount of interest rate risks with VaR taking cash flow of liabilities into consideration, based on internal rules for control of market risks, and periodically report to Risk Management Committee.

・Derivative transactions

We set up the rule that we use derivatives only to hedge risks but don't use them for speculation purposes. Also we control risks by setting up credit limit for each counterparty and when we make a selection of a counterparty we assign a counterparty which can be judged that it maintain a good credit rating taking internal rating into consideration. Risk Management Department calculates and controls amount of market fluctuation risks associated with derivatives and periodically report to Risk Management Committee.

b. Credit Risk Management

We assign internal rating to each counterparty or individual transaction, based on internal rules for control of credit risks, and we recognize and control credit risks by calculating amount of credit risks with VaR. In addition, in order to prevent particular companies, business groups and categories of business from having too much credit risks we control credit risks by setting up credit limits for each company, business group and category of business.

Amount of credit risks is calculates and controls in Risk Management Department. On the other hand, internal ratings are assigned and credit risks for each counterparty or individual transaction based on credit limits are controlled in Credit Department. These management conditions are periodically report to Risk Management Committee.

(iv) Supplementary explanation for fair values of financial instruments

We determine the market value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

(2) Fair values of financial instruments

Carrying value on the balance sheet, fair value and differences between carrying value and fair value as of March 31, 2010 are as follows.

(Millions of yen)

	Carrying amount	Fair value	Differences
Cash and deposits:			
Available-for-sale securities	892,600	892,600	–
Total cash and deposits	2,287,864	2,287,864	–
Monetary claims bought:			
Available-for-sale securities	8,058	8,058	–
Total monetary claims bought	8,058	8,058	–
Money held in trust:			
Monetary trusts other than trading, held-to-maturity and policy reserve-matching purpose	175,038	175,038	–
Total money held in trust	175,038	175,038	–
Securities:			
Held-to-maturity securities	37,632,823	38,636,651	1,003,827
Policy reserve-matching bonds	36,268,618	37,164,458	895,839
Available-for-sale securities	6,300,061	6,300,061	–
Total securities	80,201,503	82,101,170	1,899,667
Loans:			
Policy loans	3,101	3,101	–
General loans	351,527		
Allowance for doubtful accounts (*1)	(20)		
Total general loans	351,506	363,007	11,501
Loans to Management Organization for Postal Savings and Postal Life Insurance	15,905,896	16,925,927	1,020,031
Total loans	16,260,504	17,292,037	1,031,533
Total assets	98,932,968	101,864,169	2,931,200
Payable under securities lending transactions	1,029,168	1,029,168	–
Total liabilities	1,029,168	1,029,168	–
Derivative transactions (*2)	[2,510]	[2,510]	–
Hedge accounting not applied	–	–	–
Hedge accounting applied	[2,510]	[2,510]	–
Total derivative transactions	[2,510]	[2,510]	–

(*1) Excluding general reserves for possible loan losses related to general loans.

(*2) Credits/debts from derivative transactions are net base. Figures in [ ] are net debts.

(Note 1) Notes to methods for calculating fair values principal financial of instruments transactions

・Assets

(1) Cash and deposits

Cash and deposits, which treated as securities based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10), is evaluated by similar method to "(4) Securities". As for other cash and deposits without maturity, market value is based on carrying value since market value is close to carrying value. As for cash and deposits with maturity, market value is based on carrying value since time to maturity is short term (within 1 year) and market value is close to carrying value.

(2) Monetary claims bought
Monetary claims bought, which treated as securities based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10), is evaluated by similar method to "(4) Securities".
(3) Money held in trust
As for composition of trust assets in money held in trust, market value is based on market value as of the balance sheet date (in the case of shares, the average market price over the past one month). And as for property which is part of trust assets, market value is based on carrying value.
Notes pertaining to money held in trust are included in the section "10. Money Held in Trust" by purpose held.
(4) Securities
Market value is based on market value as of the balance sheet date.
In addition, unlisted shares without market price are not concluded in securities measured at fair value since it is in an extremely difficult situation that these market values are recognized. Carrying amount of these unlisted shares without market price as of March 31, 2010 is ¥140,000 million.
Notes pertaining to bonds are included in the section "9. Securities" by purpose held.
(5) Loans
As for policy loans and policy loans for Postal Life Insurance policy included in loans to Management Organization for Postal Savings and Postal Life Insurance, market value is based on carrying value since it is assumed that market value is close to carrying value, due to properties such as amount of these policy loans are limited within cash surrender values, to short average loan periods and to conditions of interest rates.
As for loans with floating interest rates in general loans, market value is based on carrying value since it is assumed that market value is close to carrying value, due that future cash flow for these loans are reflected market interest rate over the short time.
As for loans with fixed interest rates in general loans and loans to Management Organization for Postal Savings and Postal Life Insurance (except for policy loans), market value is based on present value discounted future cash flow. In addition, we have no loans to obligors in failure, substantially failure and danger of failure.
・Liabilities
(1) Payable under securities lending transactions
As for payable under securities lending transactions, market value is based on carrying value since time to trade date is short term (within 1 year) and market value is close to carrying value.
・Derivative Instruments
(1) As for forward exchange rates, market value is based on futures quotation at the end of the year.
(2) As for interest rate swaps applied the special treatment for interest rate swaps, because these swaps and general loans being hedged are treated as a unit, figures of market value for these swaps are included in one for general loans being hedged.

(Note 2) Scheduled redemptions of principal money held in trust and securities with maturities

(Millions of yen)

	Due within 1 year	Dues after 1 year through 3 years	Dues after 3 years through 5 years	Dues after 5 years through 7 years	Dues after 7 years through 10 years	Due after 10 years
Cash and deposits with maturities	892,600	–	–	–	–	–
Monetary claims bought	–	–	–	–	–	8,058
Securities	7,643,135	14,322,152	14,877,094	14,506,081	12,448,954	16,404,084
Held-to-maturity bonds	1,887,969	7,172,163	5,086,925	5,895,047	6,694,240	10,896,476
Policy reserve-matching bonds	3,947,421	5,338,960	9,292,126	8,214,650	4,778,046	4,697,411
Available-for-sale securities with maturities	1,807,744	1,811,028	498,042	396,383	976,666	810,196
Loans	2,933,027	2,323,936	2,132,343	1,915,001	2,431,087	4,525,128
Total assets	11,468,762	16,646,089	17,009,437	16,421,083	14,880,041	20,937,272

(Note 3) Scheduled maturities of Payable under securities lending transactions

(Millions of yen)

	Due within 1 year	Dues after 1 year through 3 years	Dues after 3 years through 5 years	Dues after 5 years through 7 years	Dues after 7 years through 10 years	Due after 10 years
Payable under securities lending transactions	1,029,168	–	–	–	–	–
Total assets	1,029,168	–	–	–	–	–

9. Securities
(1) Trading securities (As of March 31, 2010):
None
(2) Held-to-maturity bonds (As of March 31, 2010):

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Japanese government bonds	28,595,656	29,454,222	858,565
Japanese local government bonds	2,833,994	2,942,787	108,793
Japanese corporate bonds	2,492,273	2,575,769	83,496
Others	–	–	–
Total	33,921,924	34,972,779	1,050,855
Items with fair value not exceeding carrying amount:			
Japanese government bonds	3,225,463	3,182,809	(42,654)
Japanese local government bonds	474,343	470,389	(3,954)
Japanese corporate bonds	11,092	10,673	(418)
Others	–	–	–
Total	3,710,899	3,663,871	(47,027)
Grand total	37,632,823	38,636,651	1,003,827

(3) Policy reserve-matching bonds (As of March 31, 2010)

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Japanese government bonds	28,896,176	29,810,465	914,288
Japanese local government bonds	1,734,993	1,780,379	45,385
Japanese corporate bonds	1,808,055	1,836,365	28,310
Others	–	–	–
Total	32,439,225	33,427,210	987,984
Items with fair value not exceeding carrying amount:			
Japanese government bonds	3,753,707	3,661,792	(91,914)
Japanese local government bonds	74,685	74,454	(230)
Japanese corporate bonds	1,000	1,000	(0)
Others	–	–	–
Total	3,829,392	3,737,247	(92,144)
Grand total	36,268,618	37,164,458	895,839

(4) Investments in subsidiaries and affiliates (As of March 31, 2010):
None

(5) Available-for-sale securities (As of March 31, 2010)

(Millions of yen)

	Carrying amount	Fair value	Differences
Items with fair value exceeding carrying amount:			
Corporate and government bonds			
Japanese government bonds	1,830,492	1,835,561	5,069
Japanese local government bonds	10,080	10,158	77
Japanese corporate bonds	2,379,351	2,445,599	66,248
Sub-total	4,219,923	4,291,319	71,395
Foreign securities	39,389	39,598	209
Others (*1)	2,500	2,503	3
Total	4,261,813	4,333,421	71,608
Items with fair value not exceeding carrying amount:			
Corporate and government bonds			
Japanese government bonds	1,311,367	1,311,042	(324)
Japanese local government bonds	–	–	–
Japanese corporate bonds	181,032	179,504	(1,528)
Sub-total	1,492,399	1,490,546	(1,853)
Foreign securities	493,245	478,596	(14,649)
Others (*1)	898,200	898,155	(44)
Total	2,883,845	2,867,298	(16,547)
Grand total	7,145,658	7,200,719	55,061

(*1) "Others" contains securities treated as "securities" based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10).

(6) Held-to-maturity bonds sold during the fiscal year (From April 1, 2009 to March 31, 2010):
None

(7) Policy reserve-matching bonds sold during the fiscal year (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Proceeds from sale	Total profits on sale	Total losses on sale
Japanese government bonds	1,867,517	7,592	1
Total	1,867,517	7,592	1

(8) Available-for-sale securities sold during the fiscal year (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Proceeds from sale	Total profits on sale	Total losses on sale
Corporate and government bonds			
Japanese government bonds	238,885	285	133
Japanese corporate bonds	3,816	8	1
Sub-total	242,702	293	134
Foreign securities	222,719	2,192	26,307
Total	465,422	2,485	26,442

(9) Reclassified securities (From April 1, 2009 to March 31, 2010)
None

10. Money Held in Trust

(1) Money held in trust for trading purposes (As of March 31, 2010)
None

(2) Money held in trust classified as held-to-maturity and policy reserves (As of March 31, 2010)
None

(3) Other Money held in trust (As of March 31, 2010)

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Other money held in trust	163,318	175,038	11,720

Note: Impairment losses on other money held in trust amounted to ¥1,017 million.

The losses on domestic equities composed of those are considered impaired if the average market rate during the month prior to the fiscal year-end decline by 30% or above.

11. Reserve for Employees' Retirement Benefits

(1) Overview of Employees' Retirement Benefit Plan

Japan Post Insurance has established and maintains a benefit plan consisting of retirement lump sum grants.

(2) Funding Status of Employees' Retirement Benefits of the Company

(Millions of yen)

	As of March 31, 2010
Projected benefit obligations	(53,801)
Unfunded benefit obligations	(53,801)
Unrecognized actuarial differences	(346)
Unrecognized gains on plan amendments	(54,147)
Net amount recognized on the non-consolidated balance sheet	(54,147)

(3) Retirement Benefit Expenses

(Millions of yen)

	Fiscal year ended March 31, 2010
Service cost	2,887
Interest cost	909
Amortization of unrecognized actuarial differences	(38)
Retirement benefit expenses	3,758

(4) Assumptions

	As of March 31, 2010
Method of periodic allocation of benefit obligations	straight-line method
Discount rate	1.7%
Amortization period for actuarial differences	14 years

12. Per Share Information

(yen)

	Fiscal year ended March 31, 2010
Net assets per share	58,468.32
Net income per share	3,506.34

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

13. Subsequent Events

There were no significant subsequent events for the year ended March 31, 2010.