

# 2010

**JAPAN POST GROUP Annual Report**  
Year ended March 31, 2010



# 2010 JAPAN POST GROUP Annual Report

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This Annual Report is a translation of the Disclosure Document (the written explanation in Japanese of the Company's business and financial conditions) that was prepared pursuant to Article 52-29 of the Banking Act and Article 271-25 of the Insurance Business Act.

This Annual Report contains forward-looking statements regarding future performance and other matters. These forward-looking statements do not constitute guarantees of future performance and are subject to risks and uncertainties. Please note that actual performance may differ materially from these statements as a result of changes in the underlying assumptions regarding the business environment.

Figures and percentages shown in this Annual Report have been rounded off, except for financial numbers in the accounting statements, etc., that have been truncated without rounding. As a consequence, sums of figures may not match the totals presented.

Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2010.

# Japan Post Group Highlights in Fiscal 2010

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

## 2009

### April

●4.1  
**Began rolling out ID confirmation delivery service conveying specific details nationwide.**  
 Commenced service for conveying information about confirmation of the recipient's identity to the sender after mail has been delivered. [Go to P.30, 34](#)

●4.1  
**Implemented a variety of measures, including elimination of commission fees charge on cash-on-delivery Yu-Pack service.** [Go to P.30](#)

●4.1 to 5.29  
**Held a marketing campaign promoting services related to lump-sum retirement benefits.**

●4.1  
**Began accepting credit cards and cash cards as payment.**  
 Began accepting credit cards and cash cards as payment using mobile settlement terminals in an effort to improve customer service and promote cashless transactions. [Go to P.51](#)



●4.1  
**Expanded eligibility for payment of costs corresponding to expenses for acquiring medical certificates.**  
 Expanded eligibility for payment of uniform ¥5,000 payments, which correspond to the cost of acquiring medical certificates. [Go to P.51](#)

●4.13  
**Began offering Yucho Nenkin Teiki and Yucho Tokimeki Kurabu.**  
 Began offering preferential interest rates for standard time deposits (term: one year) for customers who elect to have public pensions automatically transferred into a Japan Post Bank Co., Ltd., account. [Go to P.22, 42](#)



●4.18 to 4.22  
**Held the 2009 All-Japan Stamp Exhibition.**

●4.20  
**Began offering the Yucho IC Cash Card Sulca.** [Go to P.42](#)

●4.23  
**Announced winners of the 2009 All-Japan Stamp Exhibition.**

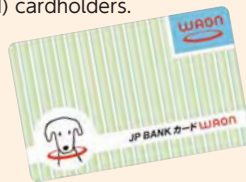
### May

●5.7  
**Added new Yucho Direct services.**  
 Dramatically improved the convenience of Yucho Direct by implementing services that many customers had requested, including the ability to transfer funds to other financial institutions. [Go to P.42, 46](#)

●5.7  
**Lowered the minimum purchase for automatic accumulation for investment trusts.**  
 Lowered the minimum monthly purchase for automatic accumulation service, which allows customers to make a purchase in a designated amount on a designated date every month, from ¥10,000 to ¥5,000.

●5.11  
**Added house cleaning to the menu of Post Office Referrals services.**  
 Added house cleaning (by Duskin Co., Ltd.) to the existing comprehensive lifestyle referral service menu of home security, optic fiber connection, and moving services. [Go to P.23, 24](#)

●5.18  
**Began offering JP BANK CARD WAON.**  
 Began offering JP BANK CARD WAON to JP BANK CARD (VISA and MasterCard) cardholders. [Go to P.45](#)



●5.18  
**Finalized distribution of fiscal 2009 New Year's postcard charitable donations.**  
 Finalized distribution of fiscal 2009 New Year's postcard charitable donations, including ¥446.02 million for 266 organizations raised from New Year's postcard donations and ¥151.41 million for 12 organizations raised from carbon offset postcards donations. [Go to P.79, 81](#)

◎5.22  
**Announced Japan Post Group's business results for the fiscal year ended March 31, 2009.**

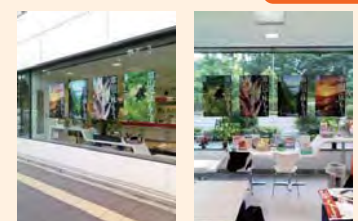
### June

●6.1  
**Issued Kamo-Mail summer 2009 greeting postcards.**  
 Introduced postcards featuring plain designs and two kinds of pictures as well as Irodori "Sky" postcards filled with color as the fiscal 2009 Kamo-Mail offerings. Japan Post Group also trialed delivery service for Kamo-Mail to all sender-specified regions (limited-term mail delivery service throughout a sender-specified area). [Go to P.32](#)



●6.1  
**Opened new Investment Trust Referral Offices.**  
 Designated 267 post offices nationwide as Investment Trust Referral Offices, which provide information related to asset management and investment trusts to customers. [Go to P.22](#)

●6.1 to 6.30  
**Conducted the first campaign by post offices to promote local government tourism.**  
 Displayed advertisements as part of "Panorama Kito-kito Welcome to Toyama," a campaign promoting tourism in Toyama Prefecture, at about 450 post offices in the Kanto, Kansai, and Chukyo regions. [Go to P.23, 27](#)



●6.1 to 7.31  
**Held a summer premium interest rates on deposits campaign.**

●6.8  
**Introduced original post office-related merchandise.**  
**Began selling "Posta Collect" merchandise nationwide.** [Go to P.23, 27](#)

●6.8  
**Launched the first part of the "Catch Your Dreams" promotional campaign.**  
 Launched a promotional campaign including free piggy banks in support of the 2010 International Federation of Association Football (FIFA) World Cup. [Go to P.43](#)

●6.15 to 8.14  
**Held a promotional campaign commemorating the one-year anniversary of Japan Post Insurance's introduction of the hospitalization rider Sono hi kara.** [Go to P.22, 54](#)

# July

●7.1  
**Began sales of increasing term life insurance and expanded offerings of new financial products.**  
 Increased the number of post offices handling third-sector insurance products, automobile insurance, and Commissioned sales of corporate insurance products. [Go to P.23, 25, 26](#)

●7.7  
**Began offering special discounts for original stamp design service.**  
 Began offering special discounts for original stamp design service customers placing orders of at least 1,000 sheets per order with at least 100,000 total sheets purchased per fiscal year.

●7.8  
**Hosted a meeting of CEOs of the Kahala Posts Group in Kyoto.**  
 Hosted the annual CEO meeting of the Kahala Posts Group, an alliance of ten leading postal operators worldwide, in Kyoto to discuss wide-ranging topics including efforts to improve the quality of EMS (Express Mail Service) and to enhance the level of other services.

●7.15  
**Announced results from the "Summer Healthy Living" questionnaire.**  
 Administered an Internet-based questionnaire to about 1,000 respondents (men and women in their twenties to fifties) about their plans for the summer and their attitude toward healthy living in advance of the summer, when radio exercise is a popular activity.

●7.23  
**Began stationing electric vehicles (EVs) at branch offices.**  
 Began stationing 40 electric vehicles (EVs) at 34 branches in Kanagawa Prefecture and 3 branches outside Kanagawa Prefecture as part of a series of efforts to promote environmental conservation activities. [Go to P.81](#)

●7.26  
**Held symposium commemorating the 60th anniversary of the establishment of the New Year's postcard charitable donation program.**  
 The program has generated a total of some ¥45.9 billion yen in charitable donations over the 60 years since its inception (including fiscal 2009 donations).



# August

●8.2  
**Held The 48th Festival of 10 Million People's Radio Exercise and Minna no Taisou ("Exercise for Everyone").**  
 The festival at Red Brick Park (Red Brick Warehouse Plaza) in Yokohama, Kanagawa Prefecture. About 8,000 people participated, including radio exercise fans from around Japan as well as local elementary school students and their parents. [Go to P.52, 79](#)



●8.10 to 10.31  
**Held the second part of the "Catch Your Dreams" promotional campaign. Held a promotional campaign for TEIGAKU and time deposits.** [Go to P.43](#)

●8.14  
**Added new Post Office Referrals services.**  
 Began adding mobile phone, appliance electrification, and solar power referral services in some geographic areas. Added postal rate meter at all post offices nationwide starting September 1. [Go to P.23, 24](#)



●8.22 and 8.23  
**Held Waku-waku Puzzle, a hands-on postcard-making program for elementary school students (in Joetsu and Kashiwazaki, Niigata Prefecture).**

# September

●9.1 to 10.23  
**Held the Fall Arigatou-Fair.**  
 Held the Fall Arigatou-Fair at all nationwide post offices and Japan Post Group branch offices. Customers purchasing or using certain products and services were eligible for drawings, and a total of 100,000 persons won gifts including Kobe beef and T-fal/Narumi tea sets. [Go to P.22](#)



●9.1 to 10.30  
**Held a promotional campaign to encourage JP BANK CARD membership.**

●9.1 to 11.30  
**Held a marketing campaign promoting services related to lump-sum retirement benefits.**



# October

- 10.1  
Extended period for the elimination of fees for internal transfer of funds through cash ATMs.  
In response to being well received, the elimination of fees for internal transfer of funds was extended one year.
- 10.3  
Held *Waku-waku* Puzzle, a hands-on postcard-making program for elementary school students (in Osaka, Osaka Prefecture).
- 10.15 to 11.14  
Strengthened efforts to eliminate bank transfer scams.  
Worked with law enforcement authorities to redouble measures aimed at preventing bank transfer scams in response to the continuing problem of frequent fraud.

- 10.29  
Issued 2010 New Year's postcards. Issued original postcards and other products that promote a "desire to send postcards" based on the main text theme that "New Year's postcards are gifts that enrich the heart of and give joy to the sender." In conjunction, various campaigns were carried out. [Go to P.30, 32](#)



# November

- 11.1 to 3.31  
Held a promotional campaign offering triple JP BANK CARD points.
- 11.19  
Launched In print New Year's postcards and New Year's money envelopes. Launched In print New Year's lottery postcards printed with greeting and pictures (set of five) as well as New Year's money envelopes (six types) featuring designs with characters that are popular among children, both at post offices nationwide. [Go to P.23](#)



In print New Year's postcard

- 11.24 to 1.29  
Held the third part of the "Catch Your Dreams" promotional campaign. Held a preferential interest campaign for time deposits. [Go to P.43](#)
- 11.25  
Announced Japan Post Holding Group's fiscal 2010 interim business results.
- 11.26  
Introduced electric vehicles (EVs) at post offices on a trial basis. Introduced electric vehicles (EVs) on a trial basis at five post offices and regional offices nationwide including the Koriyama Post Office (in Fukushima Prefecture) as part of a series of efforts to combat global warming. [Go to P.81](#)



# December

- 12.8  
Launched the *Sakura Saku* (successful exam results) student support bus. [Go to P.21](#)
- 12.9  
Held the 34th piggy bank contest. This contest drew 716,955 piggy banks based on fun ideas from 11,416 elementary schools across Japan from August 25 to September 30, 2009. Prizewinners were decided after preliminary and secondary judging. [Go to P.79](#)



The piggy bank that won the Minister of Education, Culture, Sports, Science and Technology Incentive Award (first grade group).

- 12.20  
Held the first meeting to gather feedback on Japan Post Group services. Held the first of a series of meetings to solicit feedback on Japan Post Group service from a large group of users and other stakeholders in Kochi Prefecture with participation from local officials, post office customers, postmasters, post office clerks, and others. Japan Post Group held five more similar meetings in Kyoto, Aichi, Niigata, Fukuoka, and Hokkaido by February 2010. [Go to P.75](#)



- 12.25  
Commissioned post office monitors. Recruited volunteers to serve as post office monitors as part of an effort to gather feedback and requests from customers concerning products and services offered by Japan Post Group companies as well as the Group's relationship with local communities for use in future management. Of the more than 40,000 people nationwide who responded to the request, 10,198 were commissioned as post office monitors following a rigorous screening process. [Go to P.75](#)

# January

- 1.1  
**Held a New Year's Day ceremony marking the start of delivery of New Year's postcards.**  
 Held the 2010 New Year's Day ceremony to mark the start of delivery of New Year's postcards at the Nihonbashi Branch and Adachi Branch (both in Tokyo).
- 1.4  
**Launched online applications for "Japan Post Bank Deposits for International Aid."**  
[Go to P.42, 79](#)

- 1.5 to 3.15  
**Sold Kit Mail.**  
 Sold *Kit Mail*, a product for sending messages of support to students taking university entrance examinations that was also offered last year, in partnership with Nestlé Japan Ltd..  
[Go to P.21](#)



- 1.24  
**Held a drawing for 2010 New Year's lottery postcards.**
- 1.26 and 2.2  
**Held the Direct Marketing Forum 2010.**  
 Held a participatory learning forum on direct marketing for business managers and marketing personnel featuring conferences (lectures) by instructors in a range of fields. The event attracted about 2,000 attendees.  
[Go to P.31](#)



# February

- 2.1  
**Launched the Web Yubin service.**  
 Brought customers new capabilities for sending mail online by launching the Web *Yubin* service, including the ability to apply for Letax service online (Web Letax).  
[Go to P.30](#)



- 2.1 to 5.31  
**Held the "Freshers Campaign," the fourth part of the "Catch Your Dreams" promotional campaign.**  
 Held the "Freshers Campaign," a promotional campaign offering customers applying for certain products and services a chance to win LCD televisions, gift cards, and other gifts in a drawing. Examples of eligible products and services included opening a new account or arranging direct deposit salary payments.  
[Go to P.43](#)

- 2.23  
**Announced the prizewinners for the 42nd Letter Composition Contest (held from July 1 to September 18, 2009).**

- February and March  
**Special support for Go tournament**  
 With the aims of supporting children with great promise, fostering exchange among generations, and activating local communities, Japan Post Bank provides special support for a Go tournament for children.  
[Go to P.43, 79](#)



# March

- 3.1 to 4.30  
**Held the Spring Arigatou-Fair.**  
 Held the Spring *Arigatou-Fair* nationwide at all post offices and Japan Post Group branch offices. Customers purchasing or using certain products and services were eligible for drawings, and a total of 100,000 persons won iPod shuffles and other gifts.  
[Go to P.22](#)

- 3.1  
**Began offering new investment trust products.**  
 Began offering four new products through *Toshin* (investment trust) Direct (an Internet transaction service).  
[Go to P.42](#)

- 3.1  
**Improved mail service to Republic of Korea.**  
 Worked with Korea Post to speed up surface shipping of parcels and to expand mail tracking service coverage.

- 3.1  
**Held "Japan Post Insurance Health Promotion Living Symposium 2010: What Athletes Can Teach Us about Good Health."**  
 Held panel discussions exploring the topic of health, including a keynote by professional skier Yuichiro Miura, with the title "What Athletes Can Teach Us about Good Health."



- 3.2  
**Entered into a comprehensive alliance with Nissen Co., Ltd.**  
 Nissen Co., Ltd., and Japan Post Service Co., Ltd., approved a comprehensive partnership.  
[Go to P.31](#)



Shinya Samura, President and CEO of Nissen Co., Ltd., (left) and Shinichi Nabekura, President and CEO of Japan Post Service Co., Ltd., (right)

- 3.4  
**Stationed plug-in hybrid vehicles (PHVs) at branch offices and other facilities.**  
 Followed up on stationing electric vehicles (EVs) at post office facilities by stationing 10 plug-in hybrid vehicles (PHVs) at regional offices and branch offices in EV/PHV Town regions for use as general business and sales vehicles.  
[Go to P.81](#)

# 1. Message from the President

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



## Review of Fiscal 2010

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

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

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

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

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



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

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

## **Issues for the Future**

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

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

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

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

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

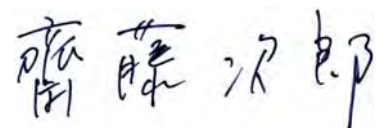
The second issue consists of strengthening the Group's stance on internal management. Our businesses were built on customer trust developed over the course of some 140 years of history. In addition to assuring legal compliance and management transparency in order to earn unshakable trust from our customers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

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

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

The Japan Post Group looks forward to your continued support.

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



# 2. The Operations of the Japan Post Group

## Nationwide Post Office Network

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

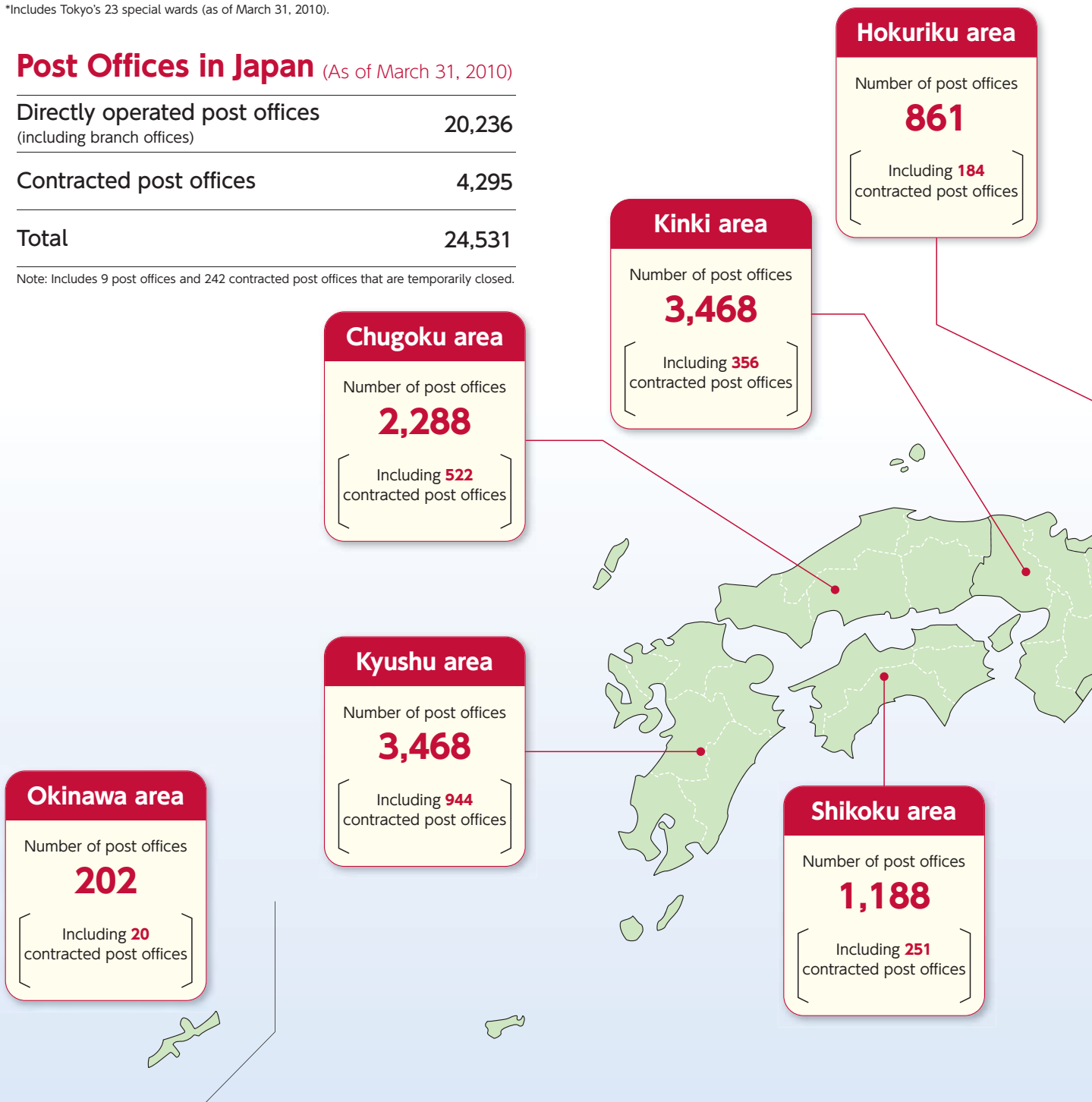
The Group looks forward to taking advantage of these post offices to provide convenient new services to residents of the communities we serve while ensuring their ability to access postal, banking, and insurance services in a unified manner throughout Japan.

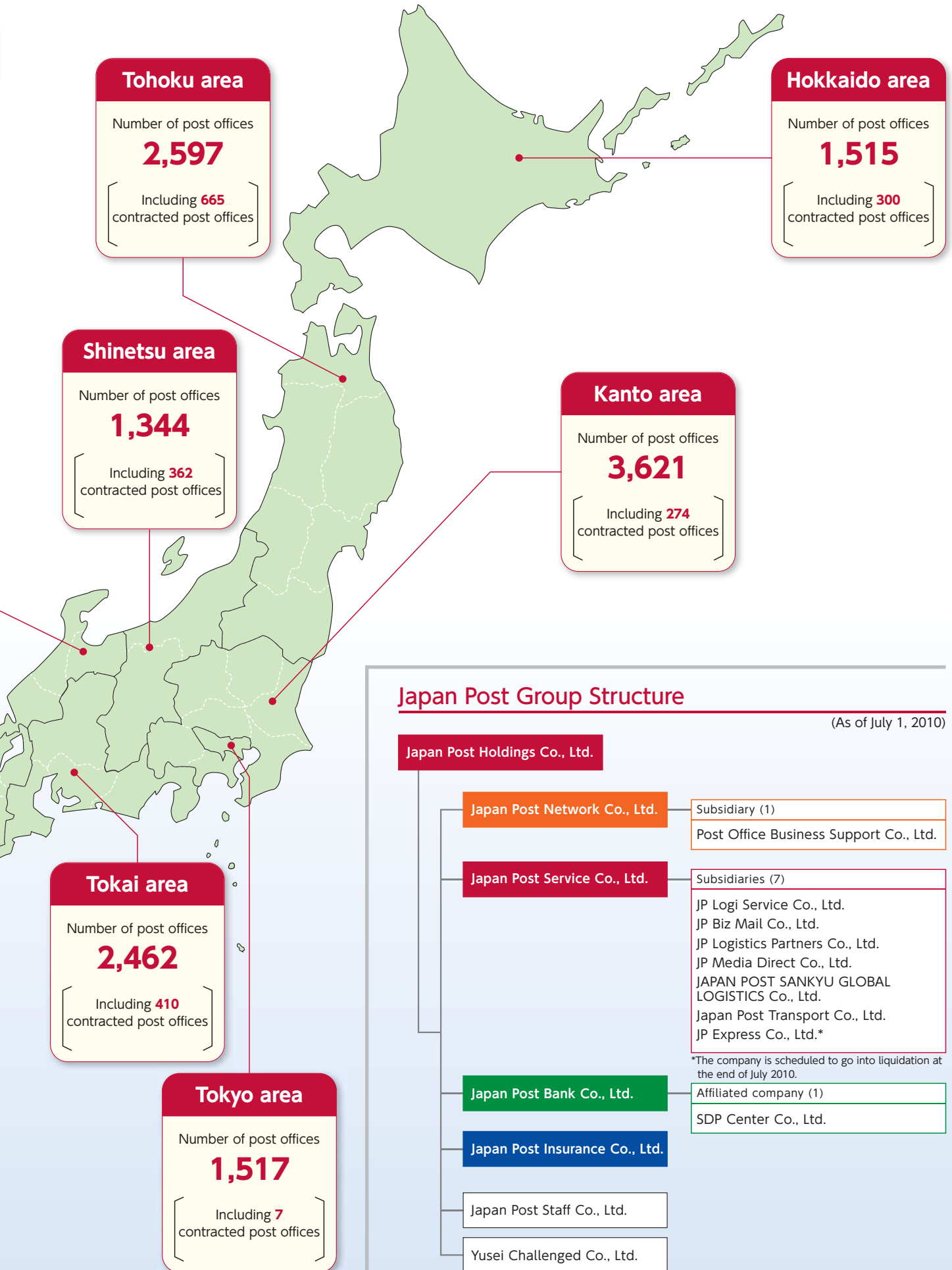
\*Includes Tokyo's 23 special wards (as of March 31, 2010).

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

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

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





# 3. Japan Post Group Financial Review

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

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

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

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

(Reference: Year ended March 31, 2009)

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

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

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

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

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

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

(Reference: Year ended March 31, 2009)

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

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

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

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

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

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



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

#### ■ Consolidated Results of Operations

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

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

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

#### ■ Financial Condition

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

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

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

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

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

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

#### ■ Results of Operations

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

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

#### ■ Financial Condition

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

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

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

#### Results of Operations

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

#### Financial Condition

<b>Total assets</b>	(Year ended March 31, 2010) <b>¥3,252,318 million</b> (Year ended March 31, 2009) <b>¥3,256,547 million</b>	<b>Net assets</b>	(Year ended March 31, 2010) <b>¥267,122 million</b> (Year ended March 31, 2009) <b>¥244,352 million</b>
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<b>Capital adequacy ratio</b>	(Year ended March 31, 2010) <b>8.2%</b> (Year ended March 31, 2009) 7.5%	<b>Net assets per share</b>	(Year ended March 31, 2010) <b>¥66,780.65</b> (Year ended March 31, 2009) <b>¥61,088.12</b>	(Reference)Equity capital Fiscal year ended March 31, 2010: ¥267,122 million Fiscal year ended March 31, 2009: ¥244,352 million
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### 4 Japan Post Service Financial Highlights (April 1, 2009 to March 31, 2010)

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

#### Results of Operations

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

#### Financial Condition

<b>Total assets</b>	(Year ended March 31, 2010) <b>¥1,963,440 million</b> (Year ended March 31, 2009) <b>¥2,050,151 million</b>	<b>Net assets</b>	(Year ended March 31, 2010) <b>¥226,981 million</b> (Year ended March 31, 2009) <b>¥281,928 million</b>
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<b>Capital adequacy ratio</b>	(Year ended March 31, 2010) <b>11.6%</b> (Year ended March 31, 2009) 13.8%	<b>Net assets per share</b>	(Year ended March 31, 2010) <b>¥56,745.46</b> (Year ended March 31, 2009) <b>¥70,482.09</b>	(Reference)Equity capital Fiscal year ended March 31, 2010: ¥226,981 million Fiscal year ended March 31, 2009: ¥281,928 million
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## 5 Japan Post Bank Financial Highlights (April 1, 2009 to March 31, 2010)

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

### Results of Operations

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

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

### Financial Condition

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

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

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

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

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

### Results of Operations

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

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

### Financial Condition

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

## 4. Group Company Messages



**Koji Furukawa**

Chairman & CEO  
Japan Post Network Co., Ltd.



**Akira Nagatomi**

President  
Japan Post Network Co., Ltd.

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

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

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

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

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

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

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

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





## Shinichi Nabekura

President and COO  
Japan Post Service Co., Ltd.

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

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

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

Japan Post Service subsequently took over Pelican delivery

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

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

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

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



**Shigeo Kawa**

Director, Chairman  
Japan Post Bank Co., Ltd.



**Yoshiyuki Izawa**

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

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

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

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

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

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

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

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

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

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

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

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


**Josuke Shindo**

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

**Izumi Yamashita**

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

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

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

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

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

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

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





# Dedicated to Providing the Public with the Best Possible Services

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# 1. Operations of Japan Post Network

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

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

### 1. Initiatives for Maintaining the Post Office Network

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

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

#### ■ Initiatives for Resuming Operations at Temporarily Closed Contracted Post Offices

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

#### ■ Provide Provisional Services for Temporarily Closed Contracted Post Offices

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

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

#### ■ Services Provided by Mobile Post Offices

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



Mobile post office (*Poskuru*)

### 2. Initiatives for Realizing Convenient Use of Post Offices

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

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

#### ■ Measures to Develop a Diverse Assortment of Post Offices

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



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

### ■ Trial Operation of Large-scale Post Offices

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

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

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

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



Tanimachi 4-chome Post Office in Osaka

### ■ Working with Local Governments

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

#### (Services Handled)

##### • Official certification documents

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

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

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

## TOPICS

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

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



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

*Sakura Saku*  
(successful exam results)  
student support bus

## 2. Overview of Operations

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

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

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

### 1. Japan Post Group Postal Counter Operations

#### ■ Counter operations of the three core businesses

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

#### ■ Strengthen Sales in Our Three Core Businesses

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

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

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

#### ■ New establishment of investment trust agency offices

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

### TOPICS

#### *Arigatou-Fair* Expresses Our Thanks

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

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



2010 Spring *Arigatou-Fair* Poster

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



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

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

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

## 2. Providing New Products and Services

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

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

### ■ Addition of New Menu to Post Office Referrals

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

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



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

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



### ■ Expanding the Number of Post Offices Handling New Financial Services

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

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

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

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

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



### ■ Launch of Sales of Posta Collect

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

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

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

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

## 3. Products and Services

(As of July 1, 2010)

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

### 1. Products and Services of the Three Core Businesses

#### (1) Postal counter operations

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

#### (2) Savings counter operations

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

#### (3) Insurance counter operations

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

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

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

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



### 2. Providing Services that Support People's Lives

#### (1) Working with Local Governments

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

(As of March 31, 2010)

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

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

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

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





#### (4) Development of Post Office Mail-Order Shops

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

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



#### (5) Implementation of Total Printing Service

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



### 3. Responding to Customers' Various Needs

#### (1) Sales of Third-Sector Insurance Products

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

(Products Handled)

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

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

##### ●Tayoreru YOU (underwriter: Sumitomo Life Insurance Company)

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



## (2) Sales of Variable Annuity Sales

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

(Products Handled)

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

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

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

\* Products handled vary depending on the handling post office.

(Products Handled)

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

\* Sumitomo Life Insurance Company only underwrites level term insurance.

## (4) Sales of Automobile Insurance

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

(Products Handled)

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

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

## (5) Sales of Frame Stamps

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



## 4. Promoting the Effective Use of Post Offices

### (1) Product Sales Utilizing Space at Post Offices

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

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



Gotochi Form Card (Tokyo)



Gotochi Form Card (Yamaguchi Prefecture)

### (2) Deployment of JP LAWSON Stores

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



JP LAWSON (Shibuya, Tokyo)

## TOPICS

### "Posties" – Characters for the Japan Post Group

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



### (3) Implementation of Advertising Business

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



Event held in Aichi Prefecture

### (4) Collection of Used Ink Cartridges

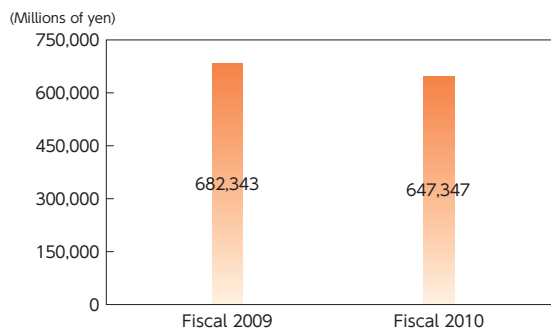
We started the "ink cartridge *satogaeri* project" for collecting used ink cartridges with the cooperation of six printer manufacturers. As of March 2010, collection boxes were placed in 3,639 major post offices (refer to p.78).



## 4. Japan Post Network Business Performance

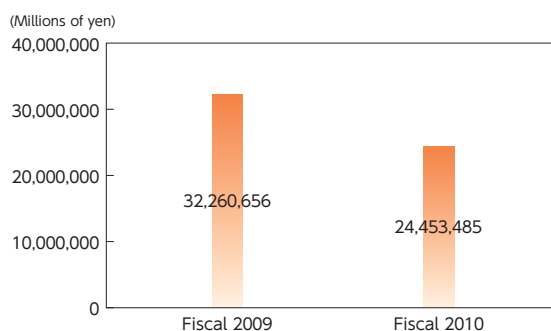
### 1 Postal Operating Revenues

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



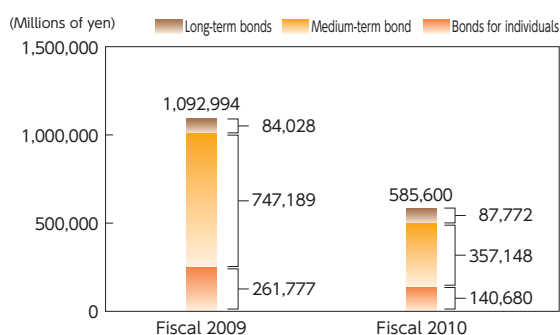
### 2 TEIGAKU and Time Deposits Handled

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



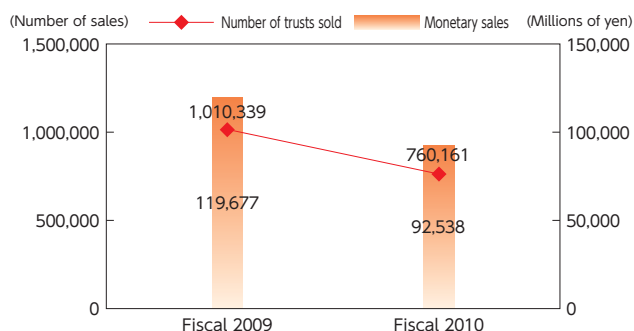
### 3 Sales of Japanese Government Bonds

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



### 4 Investment Trust Sales

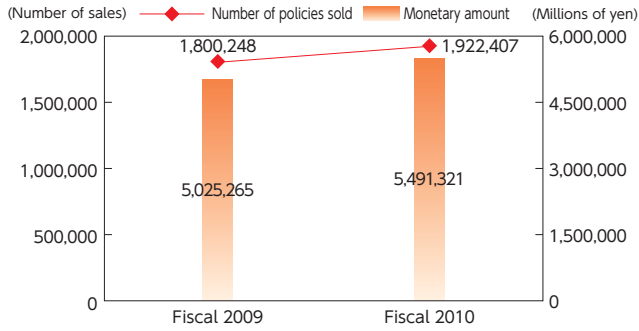
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post Network are as follows.



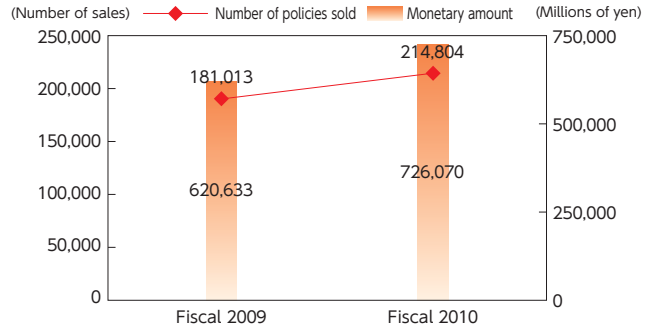
## 5 Life Insurance and Annuity Sales

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

### Individual Insurance

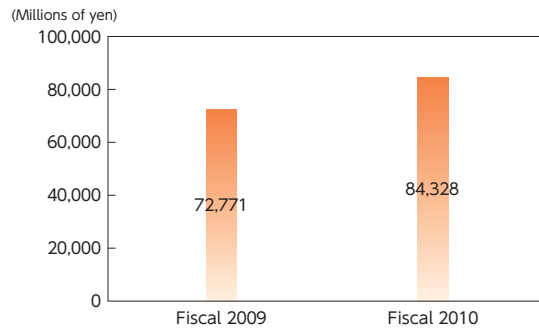


### Individual Annuities



## 6 Merchandise Business

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





# 2. Operations of Japan Post Service

## 1. Overview of Operations

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

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

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

### 1. Postal and Domestic Distribution Business

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

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

\*EMS: Express Mail Service

#### ■ New Services and Products

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

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

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

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

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



LETTERPACK350

LETTERPACK500

#### ■ Activities for 2010 New Year's Postcards

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

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

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



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



#### ■ Comprehensive Alliance with Nissen Co., Ltd.

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

#### ■ Planned integration of parcel delivery operations

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

#### ■ Measures Relating to Air Safety

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

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

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

## 2. International Logistics Business

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

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



## 3. Logistics Business

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

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

### TOPICS

#### Organized the Direct Marketing Forum 2010

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



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

## 2. Products and Services

(As of July 1, 2010)

### 1. Stamps and Postcards

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



Special stamps/Furusato stamps



LETTERPACK500



LETTERPACK350



Stamp booklets

## 2. Standard Mail Services

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

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

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



Yu-Pack package (large box)



Yu-Pack package (small box)



Yu-Pack package (large pouch)







Yu-Pack package (small pouch)



Pos Packet

## 4. Major Supplementary Services

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

## 5. Other Services

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



## 6. International Mail

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

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



Shipping labels for EMS (Documents)



Shipping labels for EMS (Merchandise)



EMS package



EMS envelope

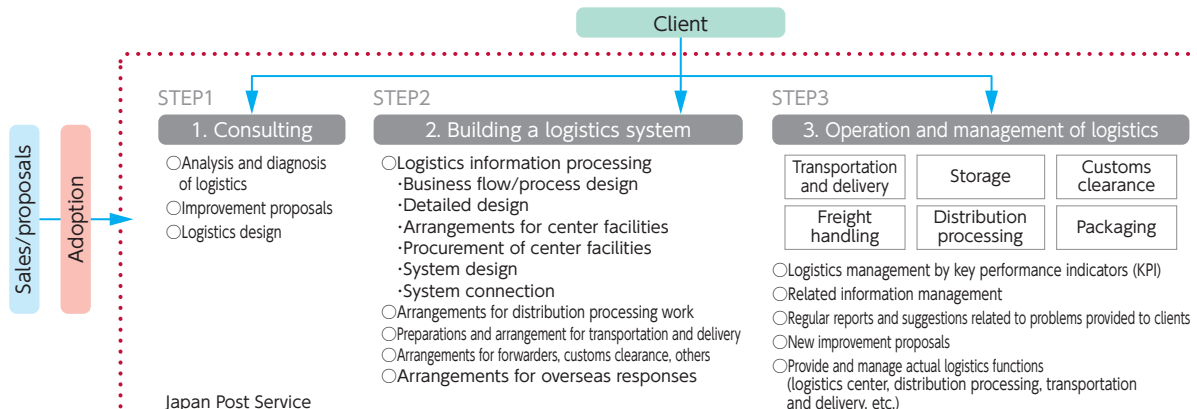
## 7. Logistics Services

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

### Logistics business services (operations)

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

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



### 3. Japan Post Service Business Performance

#### 1 Consigned Volume of Mail in Fiscal 2010

(Unit: 1,000 items, %)

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

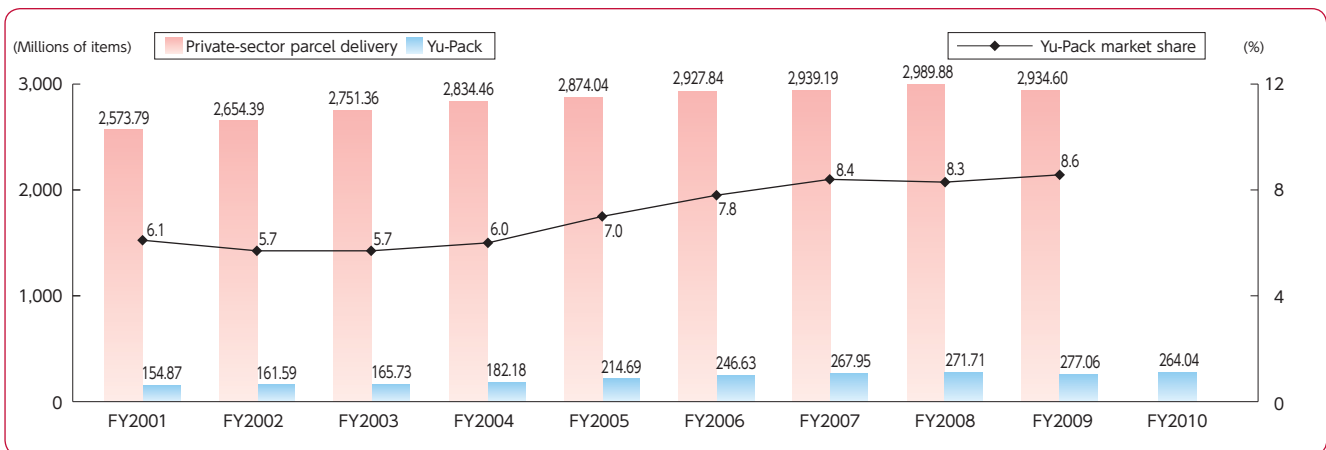
Note: Sums of individual items may not match totals due to rounding.



## 2 Total Consigned Volume of Mail

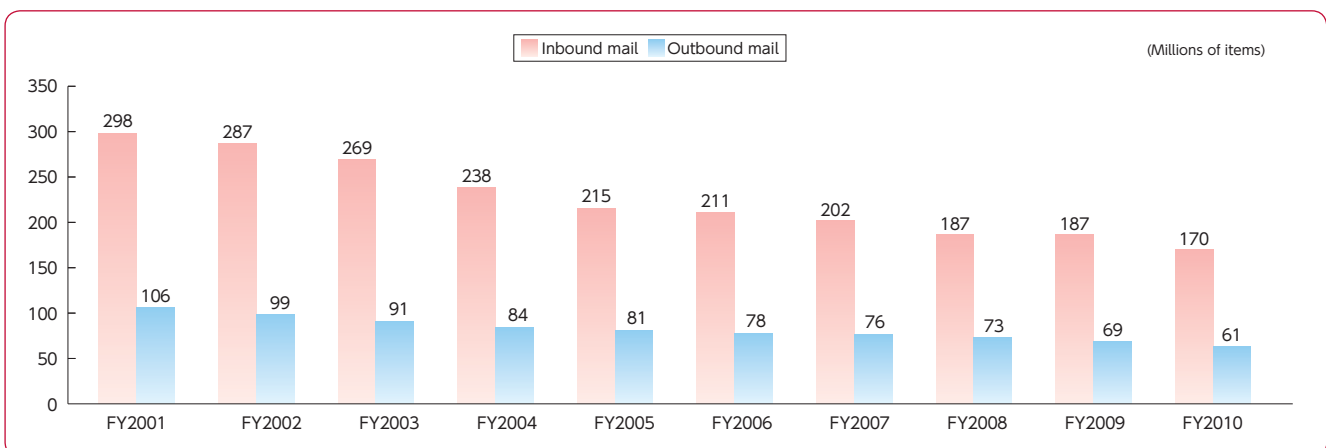


## 3 Yu-Pack and Private-Sector Parcel Delivery Volume and Market Share



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

## 4 Volume of International Mail



## 5 Daily Mail Delivery Volume and Points

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

Note: No survey for fiscal 2010 has been implemented.

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

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

All branch offices display a Postal Delivery Time Table (Service

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

Survey results in fiscal 2010 were as follows.

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

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

## 7 Outsourced Operations

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

### ■ Documental Stamp Sales

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

(Millions of yen)

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

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

## 8 Outsourcing

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

### ■ Outsourcing of Transport of Postal Materials, etc.

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

(Millions of yen)

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

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

### ■ Outsourcing of Sale of Postage Stamps, etc.

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

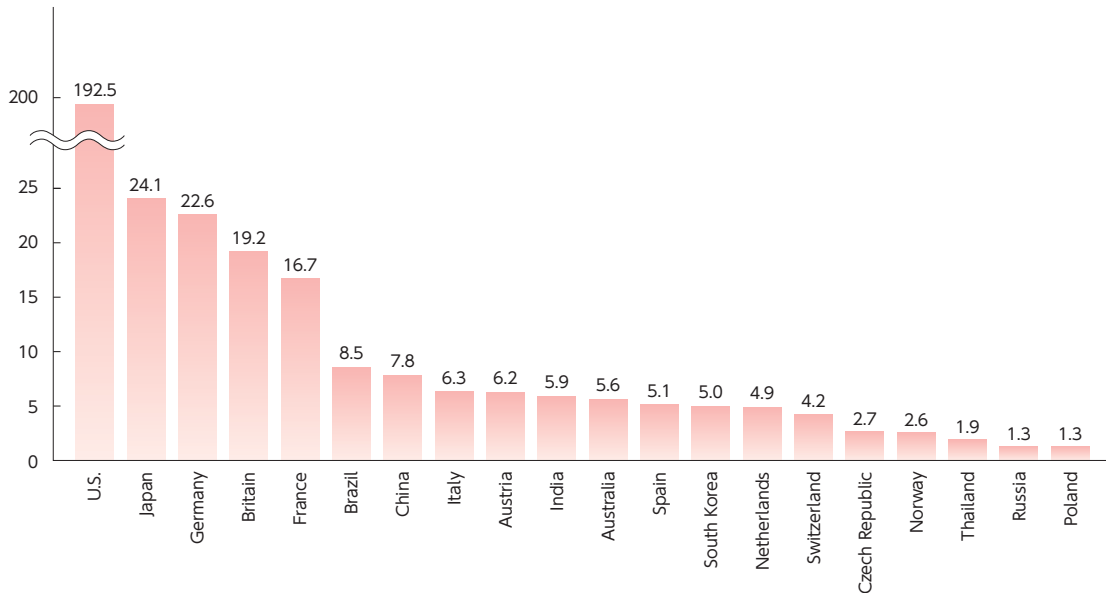
(Millions of yen)

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

## Reference: Postal Services in Other Countries

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

(Billions of items)



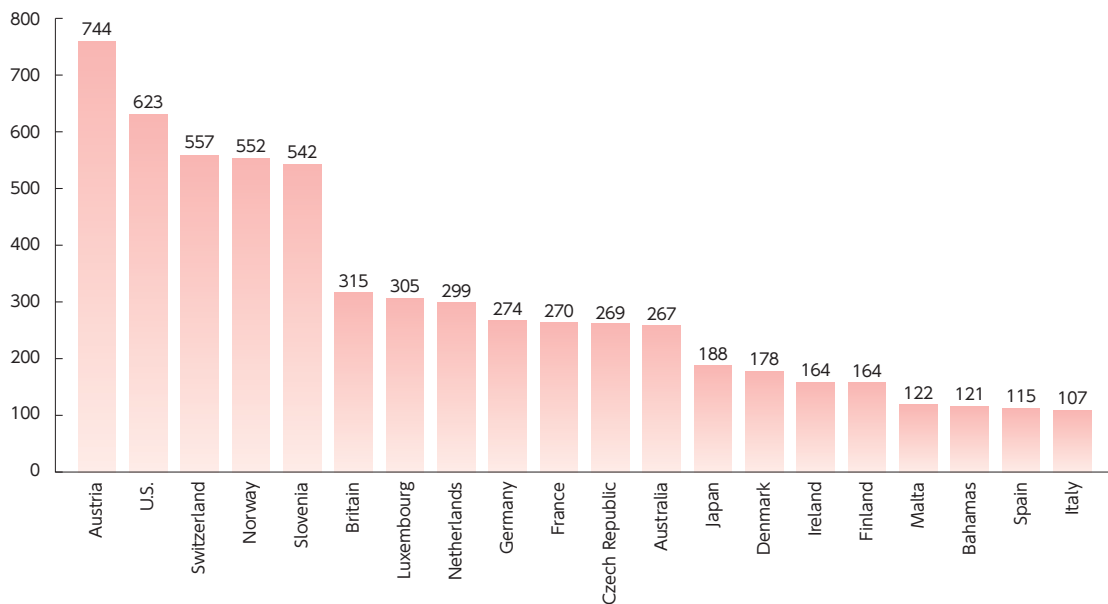
Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2008).

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

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

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

(Items per person)



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

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

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

## Reference: International Comparison of Postage Rates

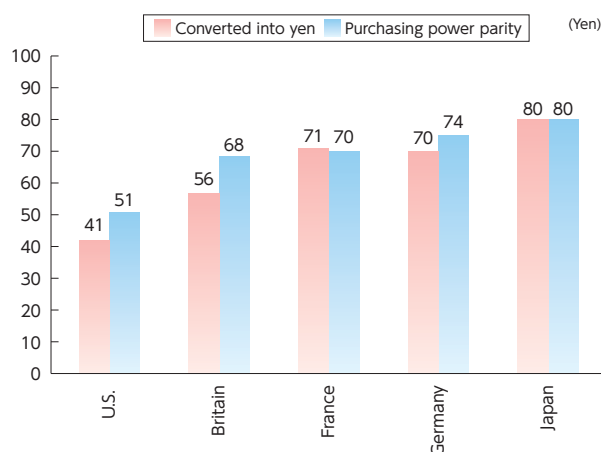
### ■ Comparison of Domestic Postage Rates

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

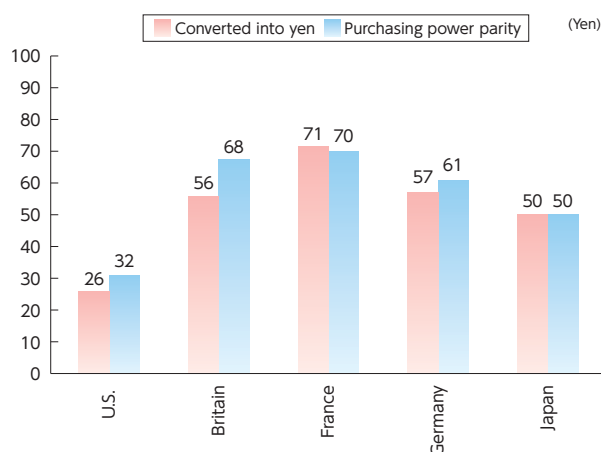
In the United States, postage rates for both domestic letters and postcards are lower than in Japan. The reason is that the volumes of mail handled in the United States are approximately eight times greater than in Japan (the amount of mail sent per capita is roughly threefold higher), thereby resulting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

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

#### ● Letter rate



#### ● Postcard rate



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

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

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

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

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

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

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

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

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

# 3. Operations of Japan Post Bank

## 1. Overview of Operations

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

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

### 1. Retail products and services

#### (1) Basic services

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

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

#### (2) Enhancing products and services

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

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

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

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

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



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

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

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

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



##### ●Added new *Yucho Direct* services.

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

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

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

##### ●Enhanced line of investment trust products.

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



## TOPICS

### Held "Catch Your Dreams" promotional campaign.

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



A television ad for the promotional campaign

### (3) Enhancing and strengthening internal management systems

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

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

## 2. Investment

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

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

### ■Controlling interest risk

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

### ■Diversifying investment methods

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

## 3. Community service

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

## TOPICS

### Special support for Go tournament.

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

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

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






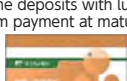
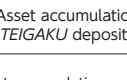
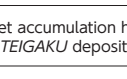
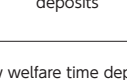

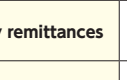


At the 13th Junior Go Grand Master tournament

## 2. Products and Services

(As of July 1, 2010)

### 1. Deposits

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

### 2. Domestic Remittances

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

### 3. International Remittances

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

### 4. Individual Loans

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

### 5. Investment Products

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

#### ■ Customer seminars to assist in asset accumulation

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



A customer seminar

### 6. Credit and Debit Cards

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



JP BANK VISA Card



JP BANK MasterCard



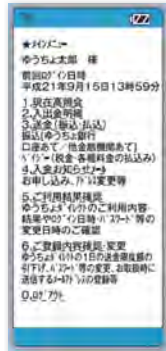
JP BANK JCB Card

## 7. Internet Banking Services

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



Yucho Direct  
(Internet banking services)



Yucho Direct  
(Mobile phone banking services)



Toshin Direct  
(Providing information for investment trusts)

## 8. Other Services

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

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

## 9. Services Available in Braille

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



## 3. Japan Post Bank Business Performance

### 1 Key Financial Indicators

(Millions of yen)

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

Notes:

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

### 2 Balances by Type of Deposit

#### 1. At End of Fiscal Period

(Millions of yen, %)

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

Deposits including accrued interest	178,050,017		<b>176,468,699</b>	
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## 2. Average Balances

(Millions of yen, %)

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

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

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

## 3 Loans by Category

### 1. At End of Fiscal Period

(Millions of yen)

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

### 2. Average Balances

(Millions of yen)

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

## 4 Balance by Type of Securities

### 1. At End of Fiscal Period

(Millions of yen)

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

### 2. Average Balances

(Millions of yen)

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

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

(Millions of yen)

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

## 6 Domestic Exchanges

(Thousands of remittances, millions of yen)

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

Note:

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

## 7 Transfer Deposits

(Thousands of remittances, millions of yen)

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

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

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

(Thousands of remittances, millions of yen)

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

## 9 Foreign Exchanges

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

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

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

## 10 Investment Trust Sales (Contract Basis)

(Thousands of contracts, millions of yen)

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

(Thousands of accounts, millions of yen)

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

Note: Investment trust sales figures have been rounded off.

## 11 Other Businesses

### Credit Cards

(Thousands of cards)

	Fiscal 2009	Fiscal 2010
Cards issued	376	837

(Thousands of cards)

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

### Mortgage Loans

(Millions of yen)

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

(Millions of yen)

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

### Variable Annuity Policies

(Policies, millions of yen)

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

(Policies, millions of yen)

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

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

# 4. Operations of Japan Post Insurance

## 1. Overview of Operations

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

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

### 1. Provision of Insurance Products and Various Services

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

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

#### (1) Agents

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

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

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

#### (2) Directly managed sales offices

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

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

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

## 2. Enhancing Products and Services

### ■ Improving products and services

#### ● Credit and debit cards

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

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



Illustration of a mobile settlement terminal

#### ● Responsibility for costs corresponding to expenses for acquiring medical certificates

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

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

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

### TOPICS

#### Held Japan Post Insurance "Flowers" promotional campaign.

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

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

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



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

#### ■ Initiatives concerning checks of benefits and other payments

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

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

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

#### ■ Enhancing and strengthening our internal management systems

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

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

#### ■ Simplifying policy information and policy agreement

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

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

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



#### ■ Insurance Act Enforcement

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

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

### 3. Asset Management

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

### 4. Contributing to Local Communities

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

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

#### TOPICS

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

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

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



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



## 2. Products and Services

(As of April 1, 2010)

### 1. Types of insurance

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

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

## 2. Principal Riders and Provisions

(As of April 1, 2010)

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

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

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



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

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

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

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

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

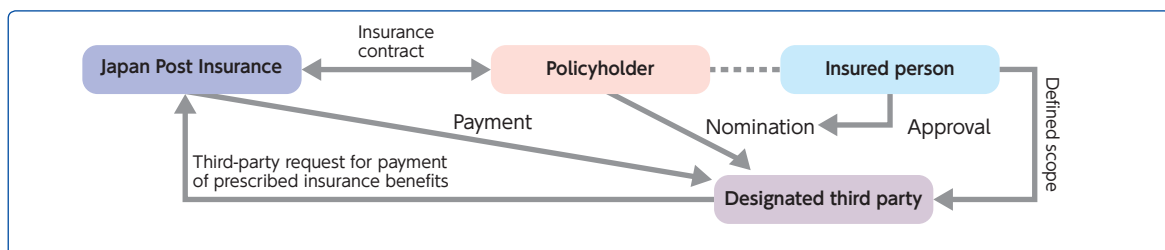
\*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

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

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

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

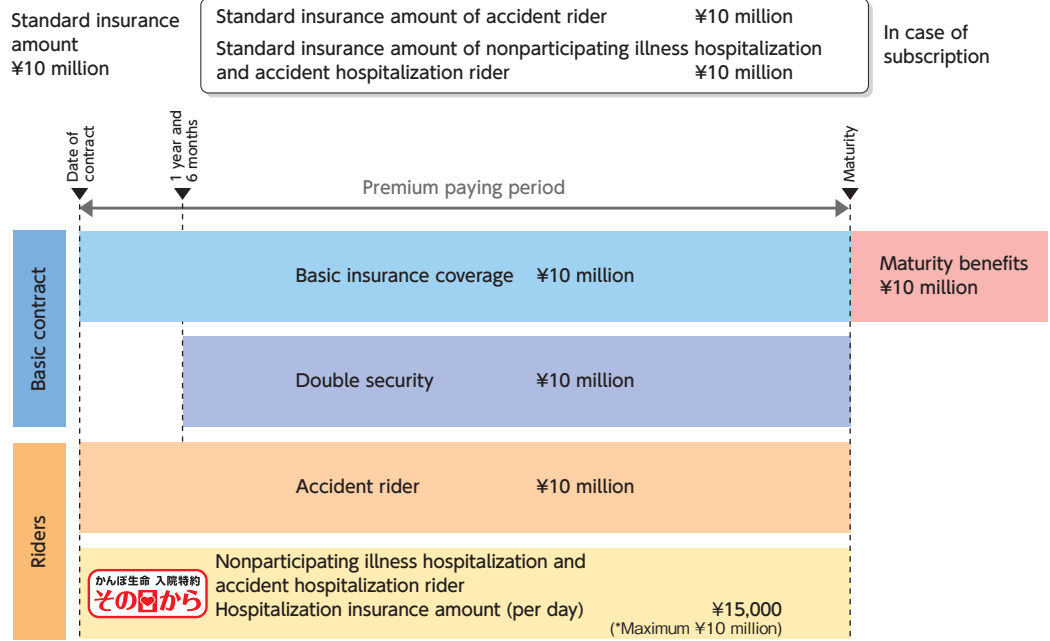
#### ■ System with an option that allows a designated third party to request insurance benefits



## Insurance schemes

### ●Outline of endowment insurance schemes

#### Ordinary endowment insurance

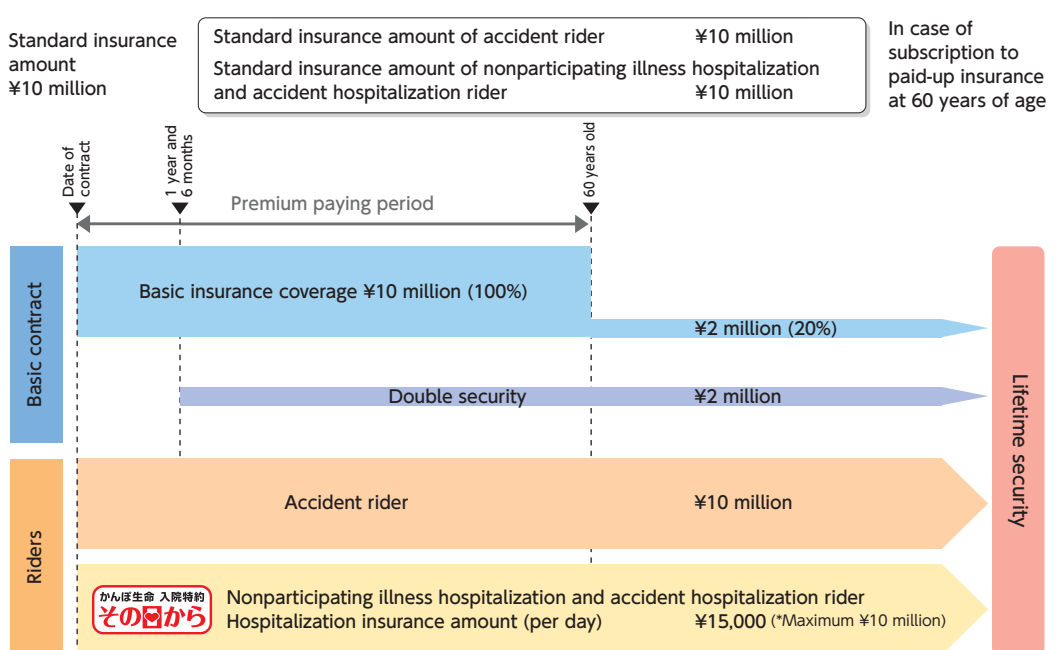


#### Features

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

### ●Outline of whole life insurance schemes

#### Whole life insurance with fivefold insurance coverage



#### Features

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

## 3. Japan Post Insurance Business Performance

### 1 Sound Management Indicators

#### 1. Core profit

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

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

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

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

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

**Core profit ¥427.1 billion**

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

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

(Billions of yen, rounded down)

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

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

## 2. Solvency Margin Ratio

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

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

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

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

**Solvency margin ratio**  
**1,663.9%**

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

(Billions of yen, rounded down)

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

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

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

Note: 100% for negative figures

### ●(B) Total amount of risk

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

#### Underwriting risk (R1)

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

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

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

#### Anticipated yield risk (R2)

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

#### Investment risk (R3)

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

#### Business management risk (R4)

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

#### Minimum guarantee risk (R7)

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



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

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

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

(Billions of yen, rounded down)

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

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

### 4. Real Net Assets

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

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

(Billions of yen, rounded down)

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

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

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

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

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

(Billions of yen)

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

Notes: 1. This figure after tax effects was ¥6.5 billion.  
2. This figure after tax effects was ¥42.5 billion.

### 6. Risk-monitored Loans

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

## 2 Insurance Policies

### New Policies and Policies in Force

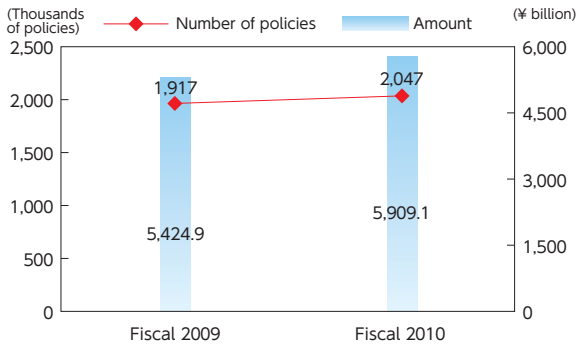
In fiscal 2010, Japan Post Insurance sold 2,047 thousand individual insurance policies with an insured amount of ¥5,909.1 billion, and 217 thousand individual annuity policies with an annuity amount of ¥735.3 billion.

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

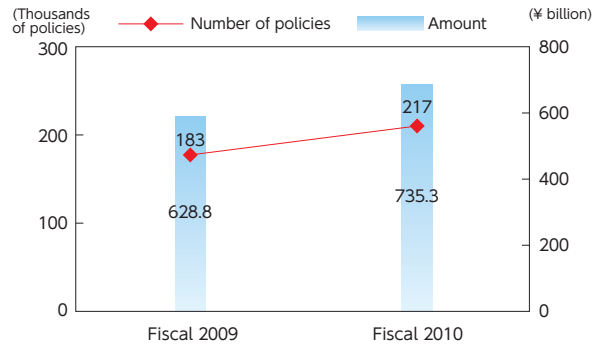
amount of ¥1,506.1 billion.

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

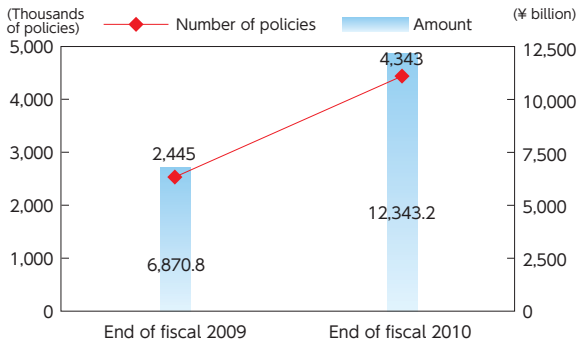
#### New Policies (Individual Insurance)



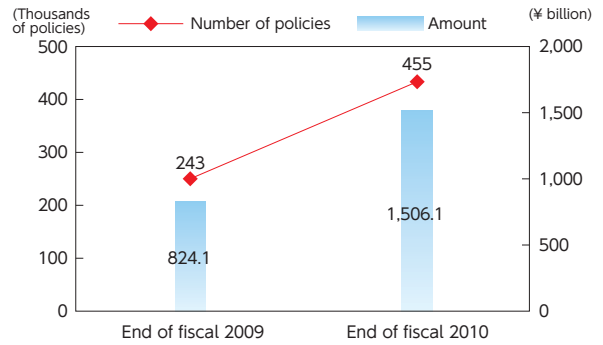
#### New Policies (Individual Annuities)



#### Policies in Force (Individual Insurance)



#### Policies in Force (Individual Annuities)



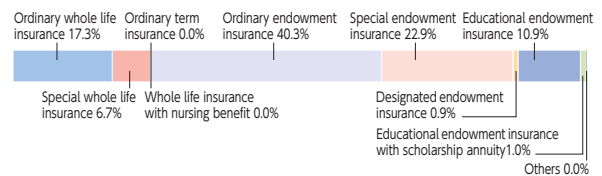
Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

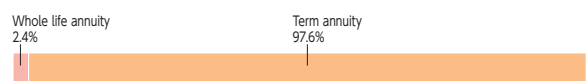
	End of Fiscal 2009 (March 31, 2009)		End of Fiscal 2010 (March 31, 2010)	
	Number of policies	Insured amount/ annuity amount	Number of policies	Insured amount/ annuity amount
Life insurance	46,026	¥ 127,523.3	40,308	¥ 112,069.4
Annuity	5,806	2,136.6	5,361	1,980.4

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

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



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



### 3 Asset Management Overview (General Account)

#### 1. Assets

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

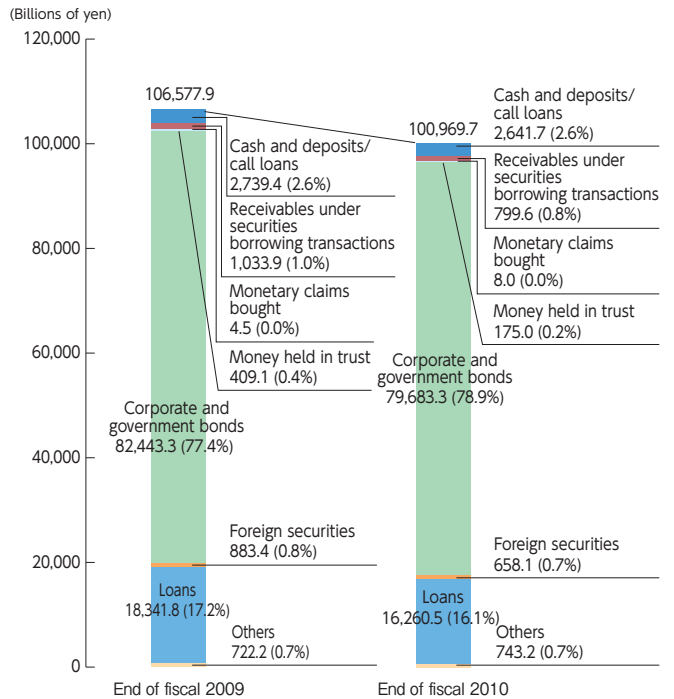
Our investment policy in fiscal 2010 was to continue investing primarily in yen-denominated interest-bearing assets that provide stable interest income.

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

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

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

#### ■ Composition of assets



#### 2. Asset Management Yield

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

#### ■ Asset Management Yield

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

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

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

##### ■ Holdings of Securitized Financial Instruments

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

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

##### ■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

# 5. Other Businesses

## 1. Hospital Business

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

community.

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

### List of 14 Japan Post Teishin Hospitals nationwide



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



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



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



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



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



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



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



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



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



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



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



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



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



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

## 2. Hotel Business

### 1. Kanpo no Yado inns and Kanpo no Sato inns

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

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

### 2. Rafre Saitama and other facilities

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

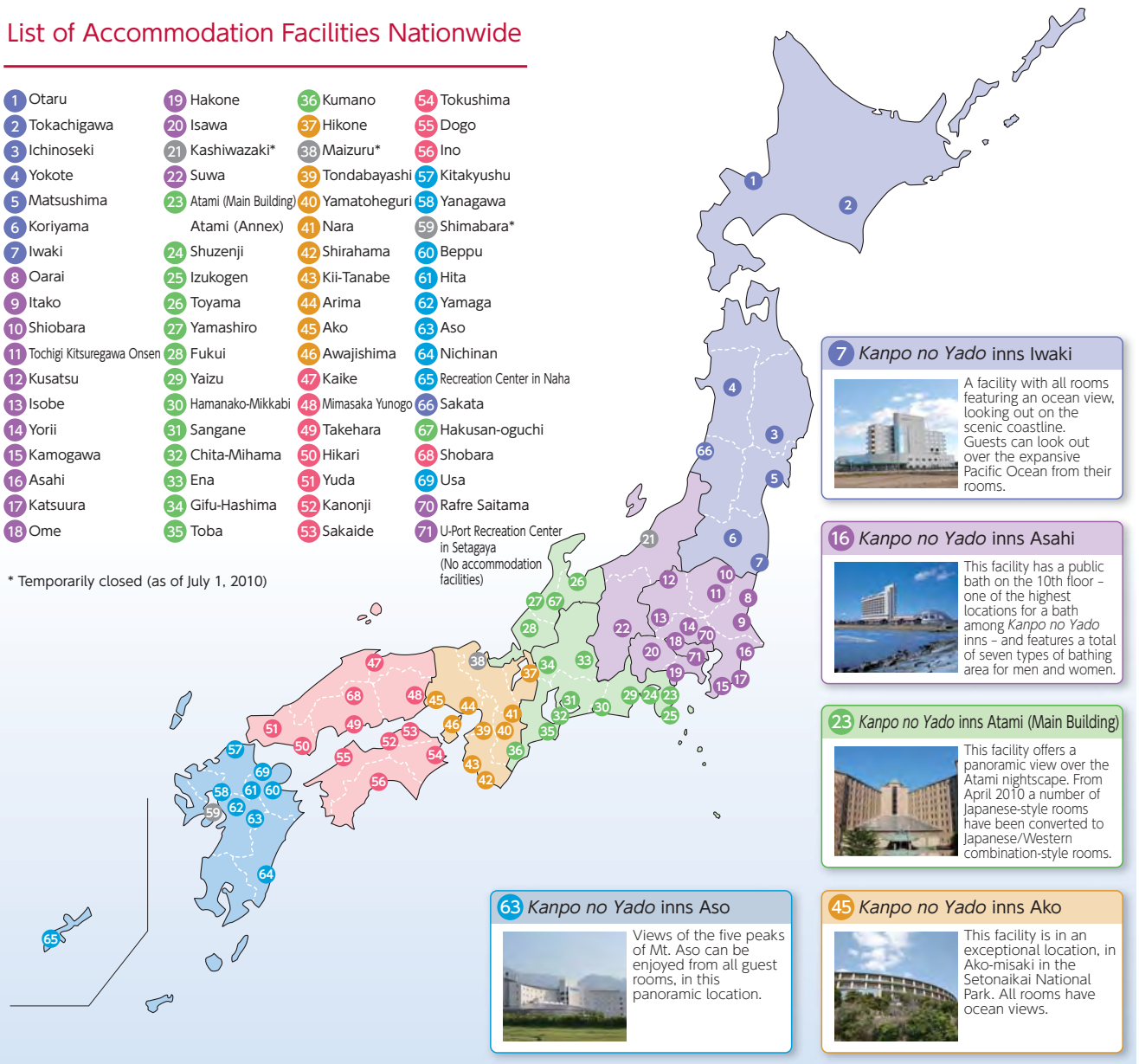
U-Port Recreation Center in Setagaya Ward, Tokyo, includes tennis courts, a heated indoor swimming pool, a gym, a fitness center and other sports facilities. For details please refer to p.92.

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


### List of Accommodation Facilities Nationwide

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

\* Temporarily closed (as of July 1, 2010)




**7 Kanpo no Yado inns Iwaki**




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

**16 Kanpo no Yado inns Asahi**




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

**23 Kanpo no Yado inns Atami (Main Building)**




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

**63 Kanpo no Yado inns Aso**



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

**45 Kanpo no Yado inns Ako**



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



# Dedicated to Becoming an Even More Trustworthy Group

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# 1. Japan Post Group Corporate Governance

## 1. Fundamental Policy for Corporate Governance

At the Japan Post Group, all Group companies establish their own corporate governance systems, and Japan Post Holdings, as the holding company, uses the following system to oversee management of the Group. The objective is to establish an appropriate corporate governance system for the entire Japan Post Group.

In January 2010, the Ministry of Internal Affairs and Communications created the Japan Post Group Governance Inspection Committee to inspect past problems as part of examination of how the Japan Post Group could best implement corporate governance in an appropriate manner.

In May 2010, the Committee published a report on governance and compliance at Japan Post Holdings Co., Ltd. Japan Post Group is committed to redoubling efforts to strengthen its governance and compliance based on the findings described in this report.

### 1. Group management

Japan Post Holdings has management control agreements between its four major subsidiaries. In addition, the holding company establishes basic Group policies concerning important management items and asks all Group companies to follow these policies. Group companies must receive approval by the holding company or

submit reports to the holding company with regard to items that have a significant effect on the entire Group and items required to maintain management transparency. Through these activities, Japan Post Holdings oversees management of the Japan Post Group.

### 2. Internal controls

Japan Post Holdings, in accordance with management policies for the Japan Post Group, has established the Fundamental Policy for Establishment of Internal Control Systems for Japan Post Holdings Co., Ltd. for the purpose of establishing programs that ensure sound and proper business operations. In addition, the holding company has established basic Group policies for matters concerning such areas as compliance, internal audits, risk management, information

security and other items. Group companies are asked to establish their own systems based on these policies.

Furthermore, Japan Post Holdings constantly monitors Group companies to ensure proper business operations by asking Group companies to submit reports. This enables the holding company to assist Group companies in making improvements as needed.

### 3. Separation of Business Execution and Supervision

Japan Post Holdings is a company with committees, in which responsibilities for execution of business activities and oversight of management are separated for the purpose of strengthening corporate governance for the entire Japan Post Group. The president and CEO quickly make decisions concerning business activities. The Board of Directors, which includes 13 outside directors of 18 directors, provides appropriate supervision of business activities.

In addition, there is a Nomination Committee, Audit Committee

and Compensation Committee, each with a majority of outside directors. The Nomination Committee decides on proposals regarding candidates for director while the Audit Committee monitors the business execution functions of executive officers and other relevant individuals, and the Compensation Committee determines compensation for executive officers and other relevant individuals.

### 4. Management Meeting and Special Committees

Japan Post Holdings has a Management Meeting made up of executive officers that serves as an advisory body to the president and CEO. This meeting discusses important matters involving business activities and submits reports.

In addition, there are two special committees, the Compliance

Committee and Corporate Social Responsibility (CSR) Committee, that serve as advisory bodies to the Management Meeting. Having these committees examine specialized matters and submitting the results to the Management Meeting better enables the Japan Post Group to solve problems involving all aspects of management.

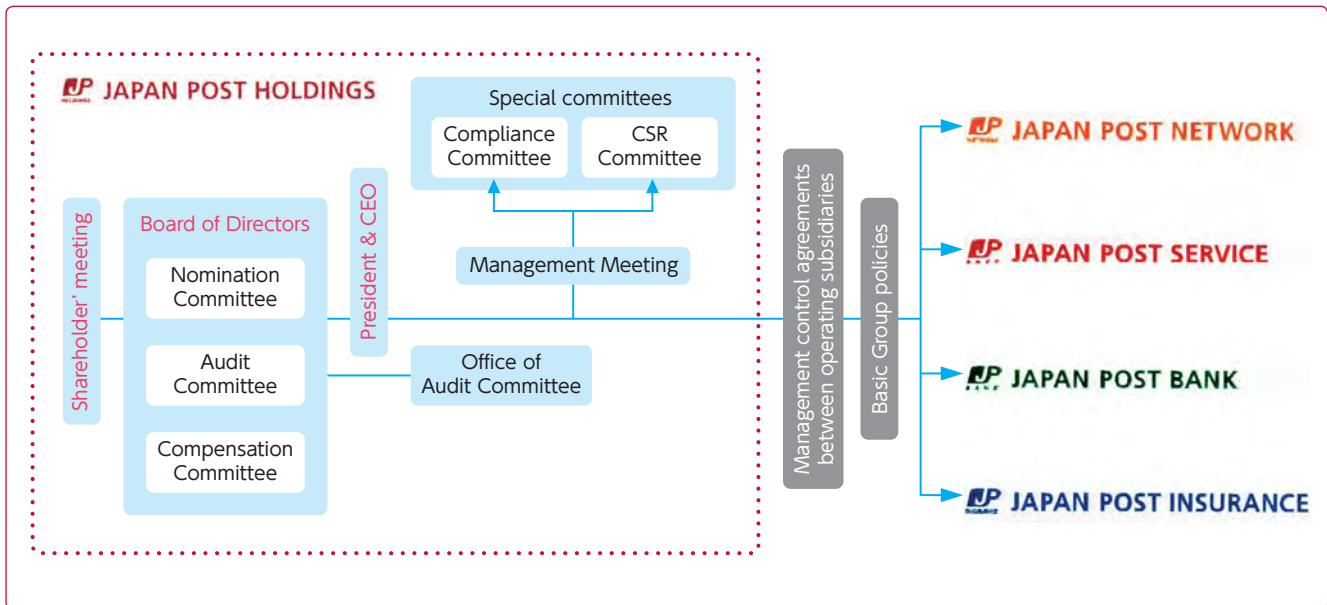
### 5. Administrative Management

Japan Post Holdings has set forth a basic policy concerning the creation of administrative management systems that requires Group companies in different industries to continually strive to maintain and improve administrative quality by promoting rationalization and streamlining of administrative operations and procedures.

To support the development and improvement of administrative

management systems at each Group company and ensure cooperation between Group companies, Japan Post Holdings requests information necessary to evaluate the administrative management system of each Group company and provides guidance and makes recommendations for improvement as required.

## ■ Japan Post Group Corporate Governance System



## ■ Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces

To eliminate any relationships with antisocial forces and prevent damage to the organization, the Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

### 1 Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, the Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

### 2 Complete elimination of relationships, including transactions

The Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

### 3 Legal measures and prohibition of secret negotiations

The Japan Post Group will strongly refuse any unjustified demands by antisocial forces and will take legal measures, either via a civil court or a criminal court, or both. The Japan

Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

### 4 Cooperation with outside experts

The Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

### 5 Prohibiting financing for antisocial forces

The Japan Post Group will never engage in financing for antisocial forces.

## 2. Corporate Governance Systems of Group Companies

Japan Post Network and Japan Post Service have a corporate governance system based on a Board of Corporate Auditors. Half of the directors at these Group companies are outside directors, and all corporate auditors are outside auditors.

Japan Post Bank and Japan Post Insurance have a corporate governance system based on committees comprised of Board of Directors members and have more than half of their directors as outside directors. These companies maintain a Nomination Committee, Audit Committee, and Compensation Committee, each with a majority of outside directors.

Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance have a Management Meeting made up of executive officers that serves as an advisory body to the chairman and president. This meeting discusses important matters involving business activities and submits reports. In addition, there is a Compliance Committee, a Risk Management Committee and other special committees that serve as advisory bodies to the Management Meeting and deliberate on specialized matters.

# 2. Japan Post Group Compliance Framework

Compliance is one of the highest management priorities of the Japan Post Group. To conduct rigorous compliance activities, all Group companies build an effective compliance framework with the guidance and support of Japan Post Holdings.

## 1. Japan Post Group Compliance Framework

The Japan Post Group employs a common compliance framework. Each company establishes a compliance department to unify the management of compliance-related matters.

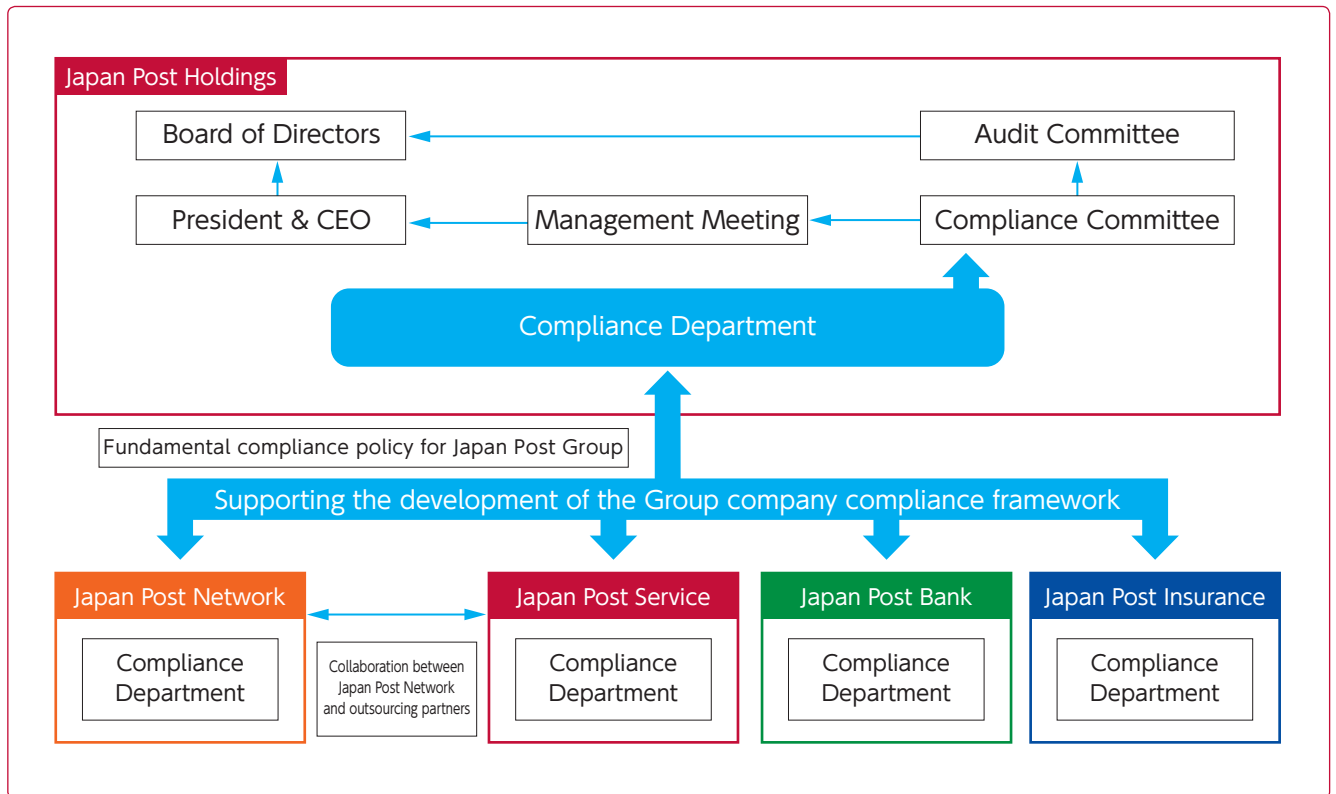
In addition, each Group company has a Compliance Committee that reports to its Management Meeting to review the compliance policy, framework, specific activities, and associated issues.

A compliance department has been set up to propose and manage measures to promote compliance through a director in

charge of compliance.

The Compliance Department of Japan Post Holdings establishes a fundamental compliance policy for the entire Group. This department also provides Group companies with guidance and support to make improvements as required. These activities make it possible to maintain and improve compliance functions for the Group as a whole.

### ■ Japan Post Group Compliance Framework



## 2. Group Company Compliance Framework

Japan Post Group companies have built a compliance framework as outlined below and use various measures to promote compliance so that the compliance framework can function effectively.

### 1. Compliance Framework

#### (a) Line of responsibility for compliance activities

Each Group company has a compliance department that is independent from departments related to business execution in order to promote compliance activities throughout the company. This department and, as a rule, all departments at respective head offices have a compliance officer who is responsible for executing specific compliance activities. In addition, compliance managers have been appointed at all head office departments, regional offices, branch offices, and post offices in order to establish a line of report for compliance activities.

#### (b) Internal reporting system

In each Group company, the compliance department has a compliance hotline that can be used by employees and others. In addition, reports of compliance infringement at any Group company can be submitted at a designated law firm, which provides an external reporting channel. This reporting system makes it possible to quickly deal with compliance violations and prevent such violations from spreading while maintaining a structure to resolve issues at the earliest stage.

### 2. Compliance Activities

#### (a) Establishment of compliance program

Each fiscal year, a compliance program is established to provide a plan for specific actions involving compliance. Progress is then checked on a regular basis.

#### (b) Activities related to compliance items

At Group companies, specific compliance items have been selected and departments have been assigned to take responsibility for individual compliance items in order to promote compliance in a focused manner. The compliance department oversees the compliance promotion activities undertaken by these units and conducts integrated management of compliance-related issues across the board.

#### (c) Preparation and distribution of compliance manual

A compliance manual is prepared to serve as a practical guide to promote compliance. The manual explains the compliance framework, matters concerning areas of compliance, and other subjects. All employees also receive a compliance handbook that summarizes the manual and is used in training programs and other activities to raise awareness among employees of the importance of compliance.

#### (d) Implementation of compliance-related training

Each Group company conducts a variety of training activities to promote better understanding of legal matters and other areas, and to raise awareness of compliance.



# 3. Japan Post Group Internal Audit System

The Japan Post Group has established an effective internal audit system at each Group company in order to ensure sound administration and proper operations aimed at building customer trust.

## 1. Japan Post Group Internal Audit System Framework

The Japan Post Group has formulated a Basic Policy on Internal Auditing that sets forth the fundamental items necessary to create an internal audit system framework. Based on this policy, each Group company develops an effective internal audit system framework befitting the nature of the business and the degree of risk.

The Internal Audit Department of Japan Post Holdings monitors the audit regulations, audit plans, and progress of audits of the Internal Audit Departments of Japan Post Network, Japan Post Service,

Japan Post Bank, and Japan Post Insurance from the perspective of enhancing the internal audit system framework of the entire Group. This Internal Audit Department also evaluates and examines the internal audit systems of Group companies and provides guidance and advice, as well as making recommendations for improvements and conducting audits when required.

## 2. Internal Audit System at Group Companies

### 1. Overview

Each Group company has an Internal Audit Department independent from departments related to business execution, which conducts internal audits from an independent and objective standpoint.

In addition, the scope of the internal audits extends to all business sites and administrative affairs, so each company has set up an Internal Audit Department within its head office. Besides this,

Japan Post Network, which has approximately 24,000 post offices, has established audit offices at 50 locations nationwide, while Japan Post Service, which has around 1,100 branch offices, has established 13 nationwide. This ensures that internal audits are carried out at a sufficient frequency and in appropriate detail.

### 2. Implementation of Effective Internal Audits

The Internal Audit Department of each Group company evaluates the sites and departments within the scope of the internal audit, or more precisely, the different types and extent of risks in business operations. Audit frequency and audit items are determined in line with these evaluations, and risk-based internal audits carried out.

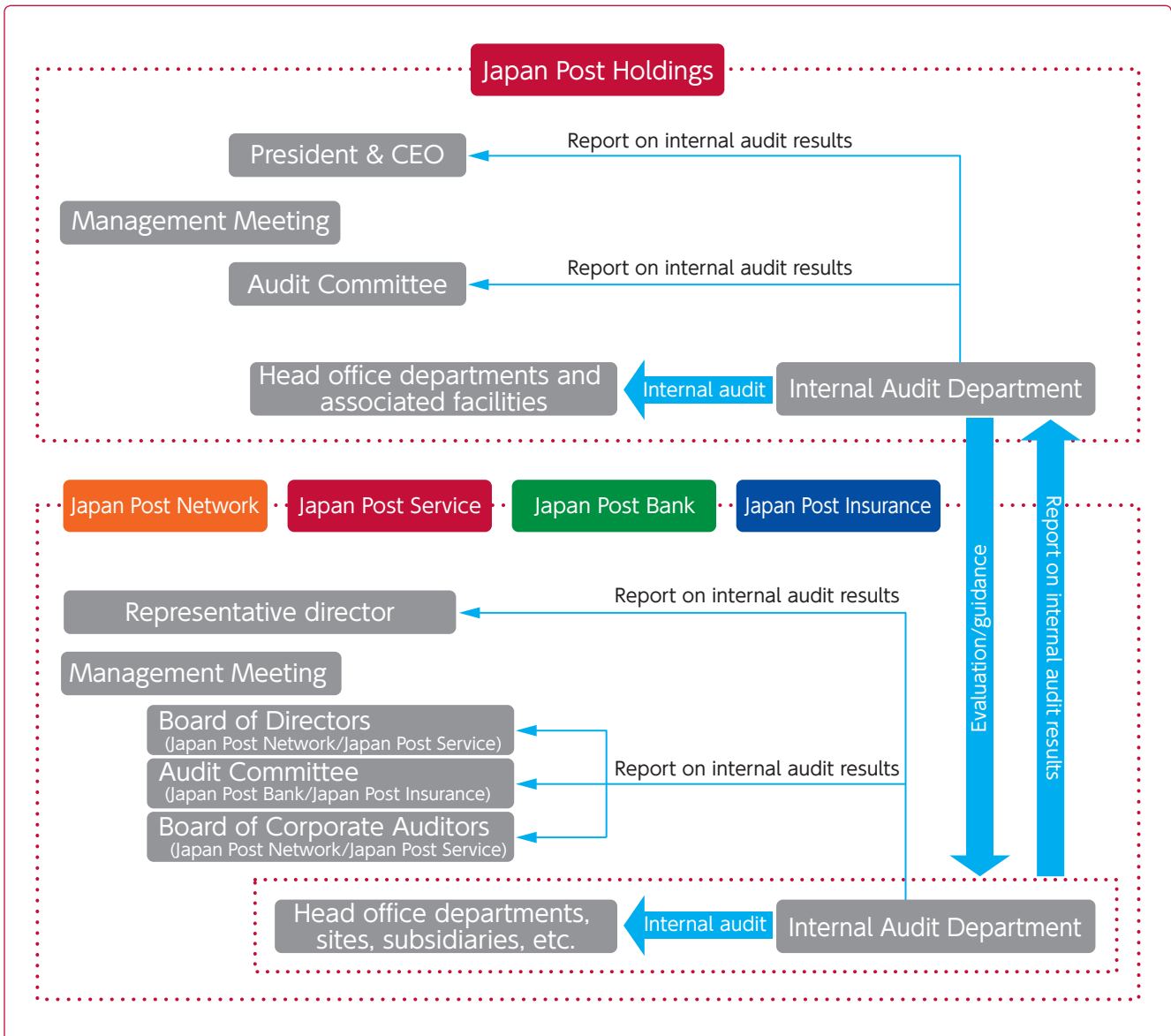
Elsewhere, efforts are made to ensure efficient and effective internal audits through attendance at daily meetings and off-site monitoring that includes gathering materials related to internal management.

### 3. Reporting on Results of Internal Audits and Making Improvements

The Internal Audit Department of each Group company reports the results of its internal audit, which includes recommendations for improvement, to the department audited followed by the representative director and the Audit Committee or Board of Corporate Auditors.

Moreover, each Internal Audit Department works to improve operations in respective companies. To this end, progress reports of improvement-requested items indicated in audit reports are periodically made to the representative director.

■ Japan Post Group Internal Audit Framework



# 4. Japan Post Group Risk Management

## 1. Group Risk Management Framework

Japan Post Holdings, as the holding company of the Japan Post Group, recognizes that properly managing risk within the Group is one of management's highest priorities. Basic items concerning Group risk management are set forth in the Basic Policy for Group Risk Management. Japan Post Holdings utilizes this policy as the basis for establishing risk management systems for the Group.

Japan Post Holdings is committed to preventing the transfer of risk from one Group company to another. Japan Post Holdings is also committed to assuring that Japan Post Bank and Japan Post Insurance, the Group's financial companies, continue to strengthen their risk management systems as autonomous financial institutions and develop systems that make them self-reliant.

### 1. Group Risk Management Systems

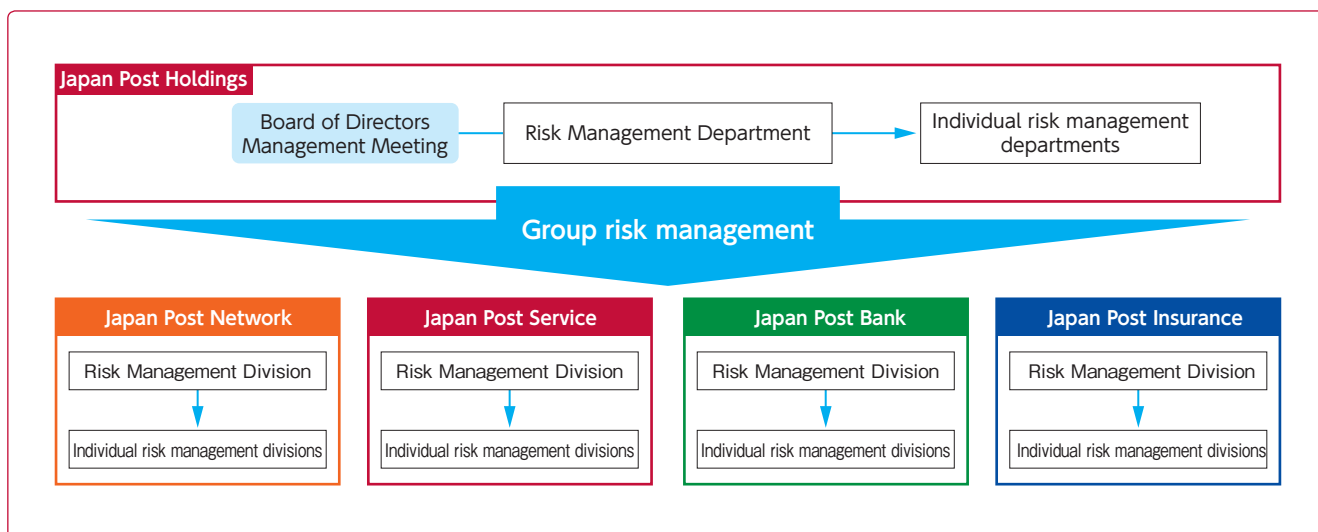
The Basic Policy for Group Risk Management classifies and defines risk categories managed by Group companies and prescribes basic policy that must be followed by Group companies.

In addition, Japan Post Holdings has a Risk Management Department, which has authority that is independent of other departments, for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department makes use of reports on risk management at Group companies and discussions to establish systems that properly monitor risk for the Group as a whole.

The Risk Management Department periodically submits Group company risk management reports to the Management Meeting in which the Group's risk management policies and risk management systems are discussed.

We take care to prevent any conflicts of interest between the risk management organization and executives or employees concerning their authority and responsibility, and provide a system of checks and balances by maintaining independence from other businesses.

#### ■ Risk Management Framework for Japan Post Group



## 2. Risk Categories and Definitions

Risk categories that must be managed by the Japan Post Group and definitions of these risks are presented below. Each Group company identifies risks in accordance with its business activities

and properly manages these risks by means of frameworks that reflect the nature of such risks.

Risk category	Definition
<b>Insurance underwriting risk</b>	Risk of incurring losses due to the deviation of economic conditions and incident rates of accidents from forecasts established at the time insurance premiums were set
<b>Credit risk</b>	Risk of incurring losses caused when assets (including off-balance-sheet assets) decline in value or become worthless due to deterioration in the financial position of the obligor
<b>Market risk</b>	Risk of incurring losses due to changes in the value of assets (including off-balance-sheet assets) due to changes in risk factors involving interest rates, securities prices, and foreign exchange and other markets Market risk is divided into the following three categories
1) Interest rate risk	Risk of incurring losses due to fluctuation in interest rates; the risk of a decline in earnings or losses caused by interest rate volatility when there are mismatches of interest rates and interest rate periods between assets and liabilities
2) Price volatility risk	Risk of declines in value of assets due to fluctuation in value of securities and other financial instruments
3) Foreign exchange risk	Risk of incurring losses due to differences in foreign exchange rates from initial assumed rates in cases where there is a net surplus of assets or liabilities for assets or liabilities denominated in foreign currencies
<b>Asset management risk</b>	This risk has the following three components:
1) Credit risk	Same as credit risk above
2) Market risk	Same as market risk above
3) Real estate investment risk	Risk of incurring losses due to a decline in profitability of real estate caused by changes in real estate leases and other items or by declines in the value of real estate itself due to changes in market conditions
<b>Liquidity risk</b>	(1) Cash flow risk: Risk of incurring losses due to cash flow problems caused by the inability to procure sufficient funds, the need to procure funds at an interest rate that is extremely higher than normal because of a worsening financial condition (Japan Post Bank), risk of incurring losses due to a decrease in insurance premiums due to a decrease in new policies, or an increase in payments of termination refund following a large quantity of policy cancellations because of a worsening financial condition, or to the need to sell assets at prices far below normal in order to procure funds in response to deteriorating cash flows caused by cash outflows resulting from a significant natural disaster. (Japan Post Insurance) (2) Market liquidity risk: Risk of incurring losses due to the inability to conduct transactions or to the need to conduct transactions at prices that are much less favorable than normal because of market turmoil
<b>Operational risk</b>	Risk of incurring losses due to improper business processing, inappropriate actions by executives and employees, improper computer system operation, or external events There are three categories of operational risk that apply to the entire Group: (1) processing risk, (2) computer system risk, and (3) information assets risk. The subsidiaries also define other risk categories of their own that are added to the list of operational risks after consultation with the holding company
1) Processing risk	Risk of incurring losses due to executives, employees, and others neglecting to perform their clerical process properly resulting in errors or other incidents, or engaging in unlawful activities
2) Computer system risk	Risk of incurring losses due to system failures, including disruptions, errors, or other problems; risk of incurring losses due to the unlawful use of computers
3) Information assets risk	Risk of incurring losses due to a computer system malfunction, improper clerical processing, or another problem that results in a loss, alteration, unlawful use, leak to external parties, or other problem associated with information

## 3. Group Risk Management Activities

Japan Post Bank and Japan Post Insurance are exposed to market risk, credit risk, and other types of risk that are unique to the provision of financial services. 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.

Japan Post Holdings 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.

Operational risk is managed for the work performed under consignment by Japan Post Network, mainly at post offices, and for the business activities of Japan Post Service, Japan Post Bank, and Japan Post Insurance. Operational risk management is monitored on a regular basis to properly supervise this risk. In addition, actions are taken to enable Group companies to work more closely together in order to prevent the recurrence of problems and strengthen risk management.

## 2. Japan Post Group Risk Management System

### 1. Japan Post Holdings

Japan Post Holdings, as the holding company of the Japan Post Group, recognizes the importance of not only managing risk at each Group company but also the need to properly manage risks for Japan Post Holdings' own businesses, such as hotels and hospitals. Japan Post Holdings has established a risk management system based on the Basic Policy for Group Risk Management and manages risk inherent in the nature of each business.

In accordance with the Basic Policy for Group Risk Management, market risk, market liquidity risk, and operational risk (processing risk, computer system risk, and information assets risk) are defined as risks to be managed. This management is performed in accordance with the characteristics of each category of risk.

In the management of market risk and market liquidity risk as-

sociated with the asset management operations of Japan Post Holdings, a transactions section (Finance Department), an administrative management section (Accounting Department), and a market risk management section (Risk Management Department) are separated to create a framework of mutual checks and balances.

To manage operational risk, risks associated with business activities are identified and the importance of each risk is determined based on two factors: the frequency at which the risk occurs and the impact of the risk. Risks to be managed are designated in accordance with their degree of importance. For risks designated as requiring management, policies are determined for actions to mitigate exposure to the risk. Each Risk Management Department conducts periodic monitoring to control these risks.

### 2. Japan Post Network

Japan Post Network recognizes that the proper management of risk is an important management issue. Risk management is needed to maintain the soundness of management and to help customers lead more fulfilling lives today and in the future as well as to win the trust of the customers who use our large network of post offices. For this purpose, we have established a risk management framework based on the Basic Policy for Group Risk Management and manage risks in accordance with the nature of our business activities.

Japan Post Network, in accordance with the Basic Policy for Group Risk Management, defines operational risk (processing risk, computer system risk, and information assets risk) as risks to be managed.

The operations of Japan Post Network involve primarily activities performed for other companies, including activities of a different nature for postal, banking, and insurance businesses. We are

aware that outsourced business operations are exposed to operational risks. We evaluate, monitor, and control these risks in order to improve the quality of business activities by minimizing exposure to these risks.

In particular, we have established a reporting system to detect errors, accidents, unlawful activities, complaints, and other items appropriately at post offices, the front line of our operations. With this system, both our senior management and companies outsourcing work to Japan Post Network receive reports concerning the occurrence of problems associated with these frontline risks.

With regard to information concerning the occurrence of problems, we have an appropriate system for the determination of causes, analysis of problems, and other activities. To prevent problems from recurring, we are strengthening collaboration among Group companies and taking other actions to reinforce risk management.

### 3. Japan Post Service

Japan Post Service, in recognition of the fact that the proper management of risk is an important management issue and in accordance with the Basic Policy for Group Risk Management, has a risk management system that reflects the unique nature of the company's business activities. This system maintains the reliability and transparency of management. Risk management also underpins the universal services of the postal business, which involves the reliable delivery of customers' postal items. Risk management further contributes to reliable communications and the provision of dependable and fast logistics services.

Japan Post Service, in accordance with the Basic Policy for Group Risk Management, defines operational risk (processing risk,

computer system risk, and information assets risk) as risks to be managed.

The Risk Management Division monitors the status of risk management in risk management departments, and provides the required directives regarding correction and other issues to the respective risk management departments when deemed necessary based on the results.

The Business Processing Management Division monitors risk management at branch offices, regional offices, and other locations. The division also checks the status of risk management and ensures the effectiveness of risk management by upgrading crime prevention training, guidance, and other activities.

### 4. Japan Post Bank

Japan Post Bank positions risk management as one of its most important management activities. We consider that the basic principle for risk management is to use capital effectively by managing risk appropriately in accordance with management strategies and the

nature of risks, with the goal of increasing corporate value while maintaining financial soundness and conducting business activities properly. We have established a risk management system that conforms to the Basic Policy for Group Risk Management and conduct



risk management autonomously.

Japan Post Bank, in accordance with the Basic Policy for Group Risk Management, defines market risk, market liquidity risk, cash flow liquidity risk, credit risk, and operational risk (processing risk, computer system risk, and information assets risk) as risks to be managed. Furthermore, we have added the following risks: legal risk, human resources risk, tangible assets risk, and reputational risk to the list of risks to be managed. We manage these risks from both quantitative and qualitative perspectives in a manner that reflects the nature of each risk.

For quantitative risk management, Japan Post Bank adopts an

## 5. Japan Post Insurance

Japan Post Insurance positions the appropriate management of risk associated with the insurance business as one of its most important management activities. We conduct risk management based on the nature of each type of risk. This type of management is needed to maintain the long-term soundness of business activities and ensure confidence in our ability to provide a means to ensure the livelihood of customers by taking care of valuable funds entrusted to us. We have established a risk management system that conforms to the Basic Policy for Group Risk Management and conduct risk management autonomously.

Japan Post Insurance, in accordance with the Basic Policy for Group Risk Management, defines insurance underwriting risk, asset

management risk (credit risk, market risk, and real estate investment risk), liquidity risk (cash flow risk and market liquidity risk), and operational risk (processing risk and computer system risk) as risks to be managed. The different categories of risks are managed based on the principle of providing a system of checks and balances.

For qualitative management of risk, we carry out management that reflects the characteristics of each type of risk along with the quantitative management of those risks. For example, for operational risk, we have a unified process known as the PDCA (plan-do-check-act) cycle for the recognition, evaluation, management, and reduction of this risk.

To maintain the soundness of business activities, Japan Post Insurance specifies that risks that can be quantified should be managed. Our fundamental principle for overall risk management is to manage the volume of these risks in relation to our risk capital. We establish standards and methods for risk management for risks that cannot be quantified.

management risk (credit risk, market risk, and real estate investment risk), liquidity risk (cash flow risk and market liquidity risk), and operational risk (processing risk and computer system risk) as risks to be managed. The different categories of risks are managed based on the principle of providing a system of checks and balances.

## 3. Crisis Management for Disasters

The Japan Post Group has established a Basic Policy for Crisis Management and each Group company also has its own system for dealing with a crisis. Crisis management is needed to ensure the stability and soundness of the business activities of Group companies. Group companies are prepared to respond appropriately to earthquakes and other natural disasters, suspensions in the operation of data management systems, and other crises.

Group companies prepare manuals and establish plans that facilitate the rapid restoration of required operations and other actions after a crisis occurs. In the event of a major crisis, we will quickly establish a joint task force on-scene that is made up of

representatives of Group companies. This unit will be responsible mainly for considering and establishing methods to enhance the smooth provision of services to customers.

In response to new types of influenza, the Japan Post Group has established an action plan and business continuity plan in accordance with government and other guidelines. By ensuring its ability to move quickly to address any crisis as appropriate given developments on the ground, the Group is prepared to take the actions needed to ensure that there are minimal disruptions in business activities and customer services.

## 4. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings, Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance as the Japan Post Group are used by a large number of customers. Information about these customers must be strictly managed. In addition, we believe that the services used by customers must be absolutely safe.

We understand that information security is essential for custom-

ers to use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. We will establish a basic policy regarding information security for the Japan Post Group and follow this policy for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

# 5. Japan Post Group Customer Satisfaction

The Japan Post Group duly considers its customers' point of view and provides a selection of products and services that customers truly appreciate. To achieve this, all directors and employees listen closely to customers' opinions as a means to raise customer satisfaction.

## 1. Listening to Customers

Each Group company's customer satisfaction department\* analyzes customer feedback collected from post offices, branches, call centers, and its own website with the aim of making required improvements and providing products and services that bring

\*Group companies' customer satisfaction departments:

- Japan Post Network: CS Promotion Division
- Japan Post Service: Risk and Business Processing Management Division, Customer Service Promotion Office

customer satisfaction.

The Customer Satisfaction Promotion Department at Japan Post Holdings devises ways to utilize customer opinions gathered from Group companies in its management operations.

- Japan Post Bank: Compliance Management Department, Customer Service Promotion Office
- Japan Post Insurance: Customer Service Department

## 2. Customer Service Consulting Center

Customer opinions are gathered at all post offices, branches, and call centers nationwide, as well as from respective websites. Please refer to pages 190-193 for business hours at post offices and

branches, and for telephone numbers and business hours of Group company call centers\*.

### ■ Japan Post Group Customer Satisfaction Flowchart



The Customer Satisfaction Promotion Division at Japan Post Holdings examines these initiatives.

### ■ Example of improvements based on customer feedback

"EXPACK can not include letters."

We launched LETTERPACK service, which allows senders to enclose a letter with their package (service launched in April 2010).

"When I need to send Letax correspondence at night or on holidays, the service counter is closed."

We launched Web Letax service, which allows customers to send Letax correspondence via the Internet (service launched February 2010).

\*Please refer to the respective Group company website as well as the Annual Reports of Japan Post Bank and Japan Post Insurance.

## Holding meetings to gather feedback on Japan Post Group services

Japan Post Holdings held six meetings around Japan to gather feedback on the Group's services by soliciting opinions from a broad range of customers. The meetings were part of an effort to fulfill the mandate of the Basic Policy on Postal Reform (adopted by the Cabinet on October 20, 2009), which mandates a far-



First meeting to gather customer feedback

reaching review of postal operations ("postal reform") to assure the continuity of certain key aspects of the Japanese lifestyle and revitalize local communities.

We are committed to bringing valuable feedback gathered from attendees to bear on postal operations in the future.

■ This section introduces some of the feedback received from attendees.

- "I would like to see the public function and role of post offices broadened to allow new services to be undertaken in partnership with local governments, for example, by making new agreements on issuing various official documents and gathering information."
- "An emphasis on profitability and efficiency brings to mind concerns that post offices in sparsely populated areas will be closed. I'd like to see post offices continue to serve as centers of community life."
- "While it is apparent that the level of service offered by post offices has improved since privatization, there are still times when I feel there is room for improvement and that workers haven't adequately internalized what it means to be in the service business."
- "I hear that post office personnel provide a higher level of service and are more considerate of customers' needs since privatization. On the other hand, it seems that procedures related to financial products require more documentation and longer wait times."

Session 1 (December 20, 2009): Kochi-shi, Kochi  
 Session 2 (January 14, 2010): Fukuchiyama-shi, Kyoto  
 Session 3 (January 15, 2010): Toyohashi-shi, Aichi

Session 4 (January 20, 2010): Kamo-shi, Niigata  
 Session 5 (February 21, 2010): Fukuoka-shi, Fukuoka  
 Session 6 (February 28, 2010): Sapporo-shi, Hokkaido

\*An overview of the meetings' proceedings and materials that were handed out is available in "Status of meetings held to gather feedback on Japan Post Group services," a notification published on the Japan Post Holdings website (<http://www.japanpost.jp/>) on March 3, 2010.

## Report on the commissioning of post office monitors

Japan Post Holdings recruited volunteers to serve as post office monitors as part of an effort to solicit feedback and requests from customers concerning products and services offered by Japan Post Group companies as well as the Group's relationship with local communities for use in future management. Of the more

than 40,000 people nationwide who responded to the request, 10,198 were commissioned as post office monitors following a rigorous screening process. Feedback and requests are solicited from these monitors by means of questionnaires and monitor meetings.

\*An overview of the post office monitor recruitment process as well as screening results are available in press releases (dated September 30 and December 25, 2009) published on the Japan Post Holdings website (<http://www.japanpost.jp/>).

# 6. Japan Post Group CSR

## 1. Group CSR Activities

Following privatization, the Japan Post Group clarified its position towards corporate social responsibility (CSR) that it adopted as a public enterprise, which stipulates issues to be systematically addressed in fields that include environmental protection, social contribution, increasing customer satisfaction, compliance, and information disclosure.

At the Japan Post Group, CSR is a means of doing business in line with the high standards that the Group has established for itself. Operating in this manner contributes to achieving the Group's management philosophy and ensuring sustainable growth.

In accordance with this approach, we have defined seven CSR themes in order to conduct activities with specific objectives. We place particular priority on three themes as common issues to be tackled by the Group. All Group companies are playing a part in CSR activities and achieving our objectives.

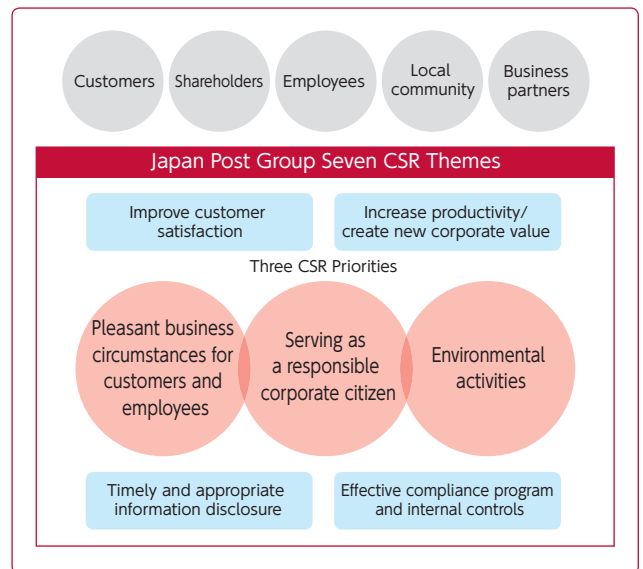
### 1. Seven CSR Themes and Three CSR Priorities

Of the seven CSR themes, the following four represent initiatives demanded by customers and shareholders that concern the business operations of the Japan Post Group: "Improve customer satisfaction," "Increase productivity/create new corporate value," "Timely and appropriate information disclosure," and "Effective compliance program and internal controls." Each Group company takes voluntary and proactive steps towards achieving these goals based on a clear understanding of their importance as CSR issues.

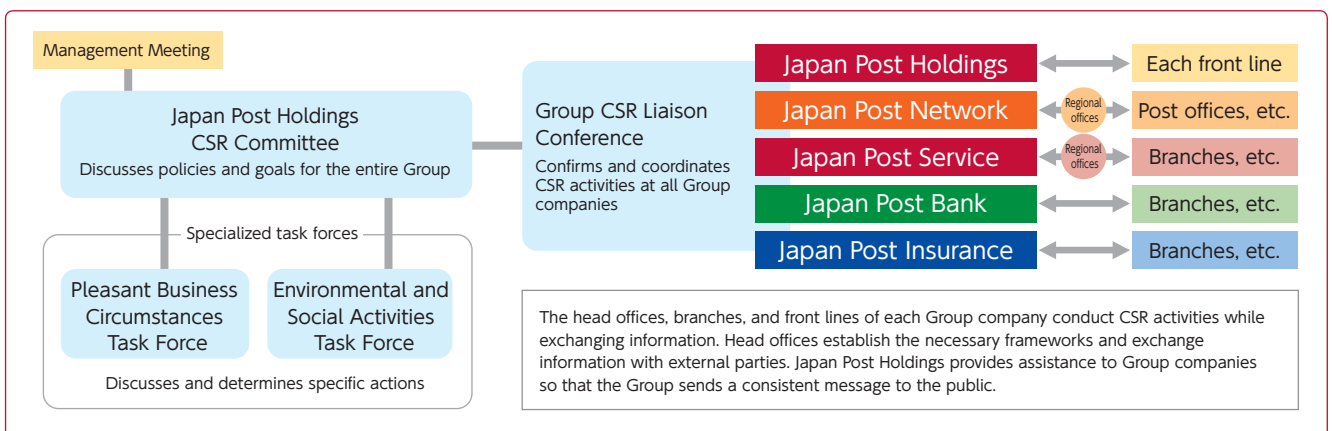
The three remaining themes, "Pleasant business circumstances for customers and employees," "Serving as a responsible corporate citizen," and "Environmental activities," are positioned as CSR priorities common throughout the Group. It is the obligation of the Group as a provider of products and services to many people nationwide to fulfill these responsibilities, which are also recognized as indispensable to secure sustainable growth for the Group from a medium- to long-term perspective.

Accordingly, the Japan Post Group strives to conduct meaningful activities related to these three critical areas from a long-term standpoint that will be valued by society. By implementing these concepts, the Group gains more competitiveness with greater

brand power, which in turn serves as a driving force for sustainable growth.



### 2. CSR Organization



## 2. Initiatives for CSR Priorities

### 1. Pleasant Business Circumstances for Customers and Employees

We are using a comprehensive approach to the universal design concept for the network of Japan Post Group business locations, which cover every area of Japan. We are dedicated to providing facilities, equipment, and services that can satisfy all customers,

including senior citizens and individuals with special needs.

This objective also includes the provision of workplaces that enable employees to do their jobs well and implementation of improvements wherever possible.

Group companies' specific actions ○Japan Post Holdings ●Japan Post Network ●Japan Post Service ●Japan Post Bank ●Japan Post Insurance

#### ●●●● Services in Braille

For visually impaired customers, we provide various services in Braille.

	Description
Japan Post Service	<ul style="list-style-type: none"> <li>Collection times displayed in Braille on post boxes</li> <li>Braille notices of undelivered mail</li> </ul>
Japan Post Bank	<ul style="list-style-type: none"> <li>Ordinary deposit statement</li> <li>Braille keyboards on ATMs</li> <li>Braille ATM cards</li> <li>Product and service pamphlets in Braille</li> </ul>
Japan Post Insurance	<ul style="list-style-type: none"> <li>Explanation of contracts in Braille</li> <li>Information about policy maturity dates, annuity payments, loans, and the repayment of loans</li> </ul>

#### ● Barrier-free facilities and equipment

As of July 31, 2009, 8,258 post offices have barrier-free designs. We will continue to work to ensure customers' ability to make use of post office services with confidence and peace of mind in accordance with the universal design concept, for example by installing ramps and handrails at the entrances of post office facilities as well as laying Braille blocks for use by visually impaired customers.



Braille blocks



Parking for physically challenged customers

#### ● Braille Yu-Pack, Yu-Pack for hearing-impaired customers, Yu-Mail for mentally or physically challenged customers

We offer reduced postal rates for Yu-Packs containing videotapes and other media sent between designated facilities and hearing-impaired individuals or large Braille publications as well as for Yu-Mail packages containing books sent between libraries that have registered with Japan Post Service and persons with disabilities.

#### ● Free distribution of Blue Bird postcards (every year since 1976)

Each year, we provide at no cost 20 stamped postcards (printed on blank, inkjet-printable, or dimpled paper) packaged in specially-made envelopes to individuals with severe mental or physical limitations.

#### ● Postcards for individuals with impaired vision (dimpled postcards)

These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can distinguish the front and back and top and bottom of the postcard.

They are sold at all branches nationwide and delivered to a person's residence upon request.



#### ● Pension delivery service

For customers who are unable to visit our branches to receive pension payments because of advanced age, physical limitations, etc., we have home-delivery service for pensions.

#### ● New welfare time deposits

We offer these one-year time deposits, which feature a higher than normal interest rate, to individuals receiving disability, survivor, and other public pensions as well as government assistance such as childcare allowance. Each eligible customer can make a deposit of up to ¥3 million.



## 2. Serving as a Responsible Corporate Citizen

The Japan Post Group provides assistance to victims of natural disasters by offering free postal and money transfer services and other forms of support. Each Group company uses its respective business

operations as the base for its own education and awareness-raising programs for communities.

### Specific Initiatives

#### ●●Disaster prevention agreements

We have disaster prevention agreements with local government agencies and other organizations.

We also put up posters and distribute pamphlets on soil and water conservation, as well as set up rain gauges and indicators at post offices as part of cooperative efforts to prevent landslides and other disasters in mountainous areas.

#### ◎Assistance in cases of emergency

In the event of a natural disaster or other major incident, we provide special services to victims at our post offices.

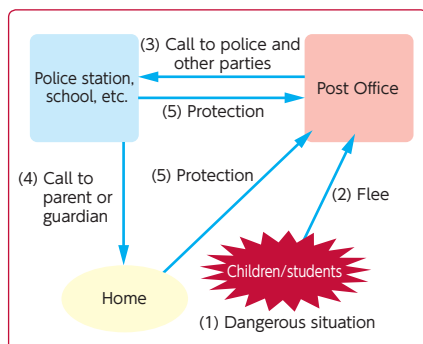
	Description
Japan Post Service	<ul style="list-style-type: none"> <li>• Free postcards distributed to disaster victims</li> <li>• No postage for postal items mailed by persons in disaster areas</li> <li>• Free postage for items such as registered mail used to send cash donations for organizations that aid disaster victims</li> <li>• Provision of information on road damage</li> </ul>
Japan Post Bank	<ul style="list-style-type: none"> <li>• Remittances of donations for disaster relief at no charge to aid victims of natural disasters. Donations are transferred at no cost to the Japanese Red Cross Society, Community Chest, and local governments.</li> <li>• Emergency handling of savings when bankbook has been lost</li> </ul>
Japan Post Insurance	<ul style="list-style-type: none"> <li>• Extension of deadline for payment of insurance premiums</li> <li>• Emergency immediate payments of insurance benefits</li> </ul>

#### ◎Education and awareness

- Acceptance of requests from elementary schools for post office tours
- Use of lobby space for community activities
- Participation in radio exercise, sporting, and other community events

#### ●Emergency assistance for children

To protect children from crime and accidents, some 8,000 post offices provide safe havens for children in danger. We provide temporary shelter for children and notify the police and others as required.



#### ●●●Supporting organizations that aim to increase social welfare

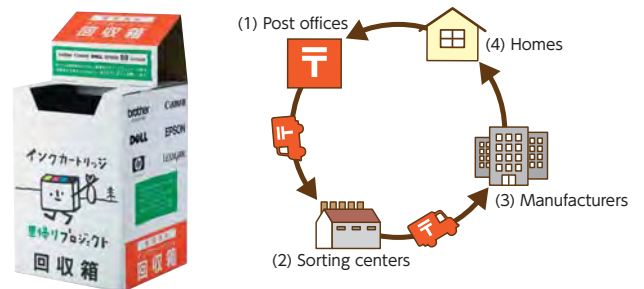
We charge no postage or special handling fees for registered mail used to send cash as donations to the Community Chest, the Japanese Red Cross Society, or other designated charities, and do not charge a fee to transfer money to the accounts of these organizations.

#### ●●Collection of used ink cartridges

We cooperate with six printer manufacturers to collect used ink cartridges made by these companies. As of April 2010, there were collection boxes at 3,639 large post offices in all areas of Japan as well as a number of local government facilities.

Used cartridges are sent to sorting centers using our Yu-Pack service and then returned to the respective companies for resource recycling.

#### Special Collection Box Ink Cartridge Collection Cycle



We also collect used fire extinguishers and used personal computers at collection depots and post offices.

#### ●Reduced rates or free postage for periodicals and publications

We lower or eliminate postage for approved periodicals published at least four times each year and materials that promote education or welfare (teaching materials, Braille materials, specified recordings, plants and seeds, and academic publications).

### ● Making New Year's postcard charitable donations

In continuation of past efforts, to mark our 61st anniversary in fiscal 2011, ¥3 from every New Year's postcard was put aside for charitable donations. Around ¥46.3 billion had been collected as of fiscal 2011.

These funds were distributed to organizations engaged in 10 different fields, including to enhance social welfare, foster the sound development of young people, and protect the environment. Charitable donations in the amount of ¥400.46 million collected for fiscal 2011 were distributed to 236 organizations.



### ● The Himawari Service

Japan Post Service cooperates with local governments and welfare organizations to provide assistance to the elderly in sparsely populated areas under a program called the *Himawari* Service. This service has many elements, including occasional visits from post office external sales personnel, collection of letters and other postal items, regular messages of encouragement from elementary school students, and handling of orders and deliveries for household items.

### ● Piggy bank contests

We hold piggy bank contests to make children more interested in saving and help nurture creativity.

Many children have taken part since the first contest in 1975, and there were a total of 716,955 entries from 11,416 elementary schools nationwide in fiscal 2010.

A total of ¥7.16 million was donated to UNICEF in Japan as well as the Japan International Cooperation Agency (JICA) in line with the number of entries.

### ● "Japan Post Bank Deposits for International Aid"

A total of 20% (after tax) of the interest from ordinary deposits and ordinary savings held by customers can be used to support activities by private aid agencies such as non-governmental organizations (NGOs) to alleviate poverty and enhance people's lives in developing countries and regions, as well as for environmental conservation, through the JICA Donation Fund for the People of the World.

Since starting this initiative on October 1, 2008, we have received 22,911 applications (as of March 31, 2010) from customers for us to use this portion of the interest for charitable purposes, resulting in total donations of ¥1.01 million, which were donated to the JICA Fund.



### ● Special support for Go tournament

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

Starting with the 13th tournament in fiscal 2010, Japan Post Bank supports the Junior Go Grand Master tournament, which de-

termines the number one amateur Go player who is junior high school age or younger.

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

### ◎ Studies on the history and culture of postal services

We have been conducting research on the history and culture of postal service using related materials at the Communications Museum (Tei-Park) since October 2008. As the first step in the planned publication of findings as they become available, we issued the Journal of Postal Museum in March 2010 and published information on our website. We will continue to promote social contribution activities of the Japan Post Group and work to strengthen our ability to disseminate related information through such research.

### ● Promotion of radio exercise program

Today, radio exercise is still a popular exercise program that can be enjoyed by people of all ages at any time and any place.

Carrying on this proud tradition, Japan Post Insurance, together with NHK (Japan Broadcasting Corporation) and the Japan Radio-aiso Federation, holds events to popularize radio exercise and continues to play an active role in helping the Japanese public lead a healthy lifestyle.

### Summer Tour Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

The Summer Tour Radio Exercise, which began in 1953, visits 43 locations nationwide over a period of 43 days from July 20 to August 31 every year. NHK Radio 1 broadcasts the radio exercise throughout Japan.



Summer Tour Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") (Shiso-shi, Hyogo Prefecture)

### Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

This event was started in 1962 as the largest radio exercise event. It is not only broadcast on the radio but also by NHK General TV and NHK BS2 nationwide.

### Special Tour Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

The Special Tour Radio Exercise, which started in 1978, is held at 10 venues throughout Japan on Sundays and public holidays from April to the end of October every year (except when it coincides with the summer tour radio exercise). This event is broadcast nationwide by NHK Radio 1.

### 3. Environmental Activities

We have established the Japan Post Group Environmental Vision covering the five-year period from fiscal 2009 through fiscal 2013. The vision positions global warming initiatives and programs for

sustainable forests as the two core environmental themes of the Group.

#### ■ Japan Post Group Environmental Vision

●The Japan Post Group recognizes its obligation to pass the Earth on to future generations as a beautiful and pleasant place to live. Preservation of the global and regional environments is therefore one of the Group's highest priorities. We are also dedicated to complying with laws, regulations, agreements, and other environmental standards, and to preventing pollution and other environmental problems associated with our business activities.

●We will monitor the status of the global and regional environments and verify the environmental burden of the Japan Post Group's business activities. We will then establish specific targets and periodically review those targets to make continuous improvements. We will strive to conduct innovative environmental activities as we place emphasis on the following themes.

##### (1) Measures to combat global warming

We will establish targets based on total emission volumes in order to take actions aimed at reducing our CO<sub>2</sub> emissions. We will establish and execute a systematic carbon management

strategy for the appropriate management of direct and indirect CO<sub>2</sub> emissions associated with our business activities.

##### (2) Programs for sustainable forests

We will establish targets based on total volumes of copy paper used to reduce the use of copy paper so that our business activities and CSR activities both contribute to the sustainability of forests.

●In addition to voluntary activities linked to our business operations, our environmental programs will take advantage of the diversity of the Group's businesses and the ability to cooperate with customers nationwide. We will use this as the basis for providing products that help preserve the environment and conducting community activities.

●All Japan Post Group companies will observe this Environmental Vision, provide information about environmental activities, and make this vision available to the public.

\*The CO<sub>2</sub> targets in this vision are limited to CO<sub>2</sub> emissions from fossil fuels.

#### (1) Measures to combat global warming

For the five-year period ending in fiscal 2013, which corresponds to the first commitment period of the Kyoto Protocol, we are striving to reduce the Group's total CO<sub>2</sub> emissions by 9% (compared with fiscal 2007 levels).

#### (2) Programs for sustainable forests

Paper that uses wood from trees is the basis for much of the operations of the Japan Post Group. We have established the ambitious goal of cutting the use of copy paper by 25% during the

five-year period ending in fiscal 2013 (compared with fiscal 2007 levels). In addition, executives and employees volunteer to plant trees as part of the Japan Post Forest program, and we provide support for a children's tree-planting campaign that aims to increase awareness of a healthy environment and foster an appreciation of the power of nature through the experience of tree planting.

Through these initiatives, we are working to promote sustainable forest development through both our business activities and social contribution activities.



Employee volunteers planting trees



Children planting oak seedlings

## Specific Initiatives at Group Companies

### ● Reduction of CO<sub>2</sub> emissions

We are working to enlighten employees on the need to conserve energy in order to reduce CO<sub>2</sub> emissions.

### ●●● Eco-friendly driving practices

We encourage eco-friendly and well-mannered driving that helps reduce CO<sub>2</sub> emissions by reducing fuel consumption as well as preventing traffic accidents.

Japan Post Service seeks to increase awareness of eco-friendly driving by placing stickers on vehicles used by external sales personnel nationwide, releasing information on initiatives in a public relations magazine, and running company contests.

### ● Introduction of eco-friendly vehicles at branches and other locations

In order to significantly reduce CO<sub>2</sub> emitted from vehicles, we introduced 40 electric vehicles (EVs) and 10 plug-in hybrid vehicles (PHVs) for general business and commercial use during fiscal 2010. We're also conducting trials with two electric vehicles (EVs) that have been modified for mail pickup and delivery duty as part of an effort to assist in the development of an electric vehicles (EVs) for postal services, and we plan to deploy chargers designed for general use on a trial basis.

Elsewhere, we will introduce hybrid cargo trucks as well as power-assisted bicycles with two wheeled cart for collecting and delivering postage items around branch offices.



### ● Trial deployment of electric vehicles (EVs) at post offices

In November 2009, we began introducing electric vehicles (EVs) on a trial basis at five post offices and other facilities nationwide including the Koriyama Post Office (in Fukushima Prefecture) as part of our effort to prevent global warming. In addition to considering how use of these vehicles can be expanded based on the results of the trial introduction, we will continue to work to reduce CO<sub>2</sub> emissions throughout our vehicle fleet, for example by transitioning to hybrids and other low-emission vehicles as well as power-assisted bicycles.

### ● Eco-friendly buildings

When building new post offices or expanding or renovating existing ones, we transform facilities into environmentally friendly buildings with environmental technologies and other environmental features.

We perform energy conservation evaluations of branches with high CO<sub>2</sub> emissions and energy consumption with consideration for introducing energy-saving equipment using subsidies for ESCO (Energy Service Company) businesses to achieve further reductions of CO<sub>2</sub> emissions.

### ●●● Receipt of ISO 14001 certification

Japan Post received ISO 14001 certification for environmental management systems for 71 post offices of Japan Post Network, 77 branches of Japan Post Service, and 27 branches of Japan Post Bank in March 2007. All of these sites still maintain this certification following privatization.

### ● Donations from carbon offset postcards

The Japan Post Group released carbon offset New Year's postcards and summer greeting postcards (Kamo-Mail), whereby ¥5 from each card plus the same amount matched by Japan Post Service (for a total of ¥10) was donated to Japanese non-profit organizations (NPOs) active in the field of environmental preservation. These NPOs used the money to acquire and redeem carbon credits gained from the Clean Development Mechanism (CDM) in developing countries certified by the United Nations and to acquire and retire carbon credits (J-VERs) from greenhouse gas reduction and absorption projects carried out in Japan. (Donations of about ¥150 million will be distributed to 19 organizations in fiscal 2011).

This endeavor also contributes to Team Minus 6%, which aims to reduce greenhouse gases in Japan by 6%, a target established under the Kyoto Protocol, by assisting businesses in activities and education related to forest development and CO<sub>2</sub> reductions.

Our carbon offset postcards have been authorized by the Ministry of the Environment to use its Carbon Offset Certified Label. These offerings were certified as voluntary offset support (donation) products/services for fiscal 2010 on September 8, 2009, and for fiscal 2011 on December 7, 2009.

Following our selection as a Fiscal 2010 Carbon Offset Model Project by the Ministry of the Environment as part of an effort to promote use of carbon offsets, we worked to promote the visualization of environmental activities by individuals as well as carbon offsets.



We also acquired third-party certification of our carbon offset postcards under Ministry of the Environment standards in order to increase the trustworthiness of our carbon offset initiatives. <http://www.4cj.org/>

## Participation in Team Minus 6% and the United Nations Global Compact

To provide a basis for more effective CSR activities, the Japan Post Group participates in Team Minus 6%, a program promoted by the Japanese government to fight global warming.

Additionally, Japan Post Holdings as a representative of the Japan Post Group participates in the United Nations Global Compact, a voluntary framework for businesses that are committed to 10 universally accepted principles of corporate citizenship.

\*Team Minus 6% is a national project led by the Ministry of the Environment aimed at cutting greenhouse gas emissions by 6%, a figure set by the Kyoto protocol. Specifically, individuals and organizations promote voluntary activities to reduce greenhouse gas emissions.

\*The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations with 10 universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption.





# Corporate Data

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# 1. Japan Post Group Management Philosophy, Policy and Charter of Corporate Conduct

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## 1 Group Management Philosophy

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Stressing the security and confidence that Japan Post, as a public organization, has fostered, the Group, as a private corporation, will demonstrate creativity and efficiency to the greatest extent possible, meet customers' expectations, raise customer satisfaction and grow together with customers. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

## 2 Group Management Policy

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1. We will duly consider our customers' viewpoints, exercise our creativity and provide through our nationwide network a selection of products and services that customers truly appreciate.
2. We will establish effective corporate governance and compliance programs, including internal audits and internal controls.
3. We will maintain the transparency of the Group's operations through the timely and proper disclosure of information, the appropriate use of intra-group transactions and other activities.
4. We will create opportunities for all employees, business partners and the community to grow and develop through mutual cooperation.

## 3 Japan Post Group Charter of Corporate Conduct

---

### (1) Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

### (2) Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

### (3) Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

### (4) Create value

- We provide valued and high-quality services that exceed customers' expectations.
- We create value consistently by pursuing greater operating efficiency.
- We play a role as individual employees to create corporate value by promoting mutual understanding and cooperation.

### (5) Be a source of change

- We make improvements by responding swiftly to changes and emphasizing speed.
- We exercise our creativity from a broad viewpoint and lofty perspective.
- We aggressively take on the challenge of conducting global business activities.

# 2. Outline of Japan Post Holdings Co., Ltd.

## 1 Company Outline

Company name (in Japanese):	Nippon Yusei Kabushiki Kaisha
Company name:	JAPAN POST HOLDINGS Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500.0 billion
Date of establishment:	January 23, 2006
Legal basis:	Established under the Japan Post Holdings Co., Ltd. Act (Law No. 98 of October 21, 2005)
Lines of business:	Management of Group companies
Principal business locations:	Human Affairs and Accounting Consolidating Center: 1; Accident Compensation Center: 1; Health Management Administration Center: 1; Health Management Offices: 49; Facility Management Centers: 7; Japan Post Teishin Hospitals: 14; Hotels: 71; Museums and Libraries: 6; JP Customer Service Consulting Center: 1

## 2 Information on Shares

### 1. Number of Shares

Authorized number of shares	600,000,000
Total shares issued	150,000,000
Number of shareholders as of the end of fiscal 2010	One

### 2. Shareholder

Minister of Finance	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

### 3. Information on Rights to Purchase New Shares, etc.

None outstanding

## 3 Number of Employees

3,251\* (as of March 31, 2010)

\* Number of regular employees. Includes employees seconded to Japan Post Holdings Co., Ltd. Excludes employees seconded to other companies and temporary employees.

## 4

## List of Directors, Executive Officers and Management Committees

(As of July 1, 2010)

## 1. Directors

Chairman (Outside) .....	Takashi Nishioka (Concurrently holds the positions of Senior Advisor of Mitsubishi Heavy Industries, Ltd., and Chairman of the Board of Mitsubishi Motors Corporation)
President & CEO (Representative Executive Officer) .....	Jiro Saito (Concurrently holds the positions of Director of Japan Post Network Co., Ltd., Director of Japan Post Service Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Deputy President (Representative Executive Officer) .....	Atsuo Saka
Deputy President (Representative Executive Officer) .....	Seijiro Sekine
Deputy President (Representative Executive Officer) .....	Toshinari Takai
Deputy President (Representative Executive Officer) .....	Seijiro Adachi
Deputy President (Representative Executive Officer) .....	Yoshiyuki Izawa (Concurrently holds the position of President & COO of Japan Post Bank Co., Ltd.)
Director (Outside) .....	Hiromitsu Ishi (Concurrently holds the position of President of The Open University of Japan)
Director (Outside) .....	Hidekazu Inoue (Concurrently holds the position of Director of Japan Post Network Co., Ltd.; formerly held the position of President of Nippon Telegraph and Telephone East Corporation)
Director (Outside) .....	Taro Irimajiri (Concurrently holds the position of President & CEO of Irimajiri Group Inc.)
Director (Outside) .....	Tadashi Okamura (Concurrently holds the positions of Advisor to the Board of Toshiba Corporation, Chairman of the Japan Chamber of Commerce and Industry, and Chairman of the Tokyo Chamber of Commerce and Industry)
Director (Outside) .....	Hiroshi Okuda (Concurrently holds the position of Senior Advisor of Toyota Motor Corporation)
Director (Outside) .....	Goro Kamino (Concurrently holds the positions of President of SALA Corporation and President of Gastec Service Inc.)
Director (Outside) .....	Kiyohiko Koike (Concurrently holds the position of Mayor of Kamo City (Niigata Prefecture))
Director (Outside) .....	Koichi Sugiyama (Formerly held the position of Executive Vice President of Mitsubishi Heavy Industries, Ltd.)
Director (Outside) .....	Ayako Sono (Novelist)
Director (Outside) .....	Akio Harada (Attorney-at-law)
Director (Outside) .....	Shingo Matsuo (Concurrently holds the positions of Chairman of Kyushu Electric Power Co., Inc., and Chairman of Kyushu Economic Federation)
Director (Outside) .....	Takao Watanabe (Concurrently holds the positions of President of Watabun Co., Ltd., and Chairman of the Association for the Promotion of Traditional Craft Industries)

## 2. Executive Officers

Senior Managing Executive Officer	Eisuke Fujimoto
Senior Managing Executive Officer (Concurrently holds the position of Executive Vice President of Japan Post Bank Co., Ltd.)	Tomohiro Yonezawa
Senior Managing Executive Officer	Hideharu Sasaki
Senior Managing Executive Officer (Concurrently holds the position of Executive Vice President of Japan Post Service Co., Ltd.)	Yoshiro Nakajo
Senior Managing Executive Officer (Concurrently holds the position of Executive Vice President of Japan Post Network Co., Ltd.)	Chikanori Saio
Senior Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Bank Co., Ltd.)	Tomohisa Mase
Managing Executive Officer	Kenichiro Hamada
Managing Executive Officer	Kunio Tanigaki
Managing Executive Officer (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Insurance Co., Ltd.)	Toshihisa Minakata
Managing Executive Officer	Shuichi Ikeda
Executive Officer	Yoshihiro Chiba
Executive Officer	Yoshiki Terasaki
Executive Officer	Tetsuhiko Yoshizawa
Executive Officer	Hisao Yamano
Executive Officer	Noboru Ichikura

### 3. Nomination Committee

Chairperson	Hiroshi Okuda
Member	Hidekazu Inoue
Member	Tadashi Okamura
Member	Jiro Saito
Member	Atsuo Saka

### 4. Audit Committee

Chairperson	Hiromitsu Ishi
Member	Hidekazu Inoue
Member	Koichi Sugiyama

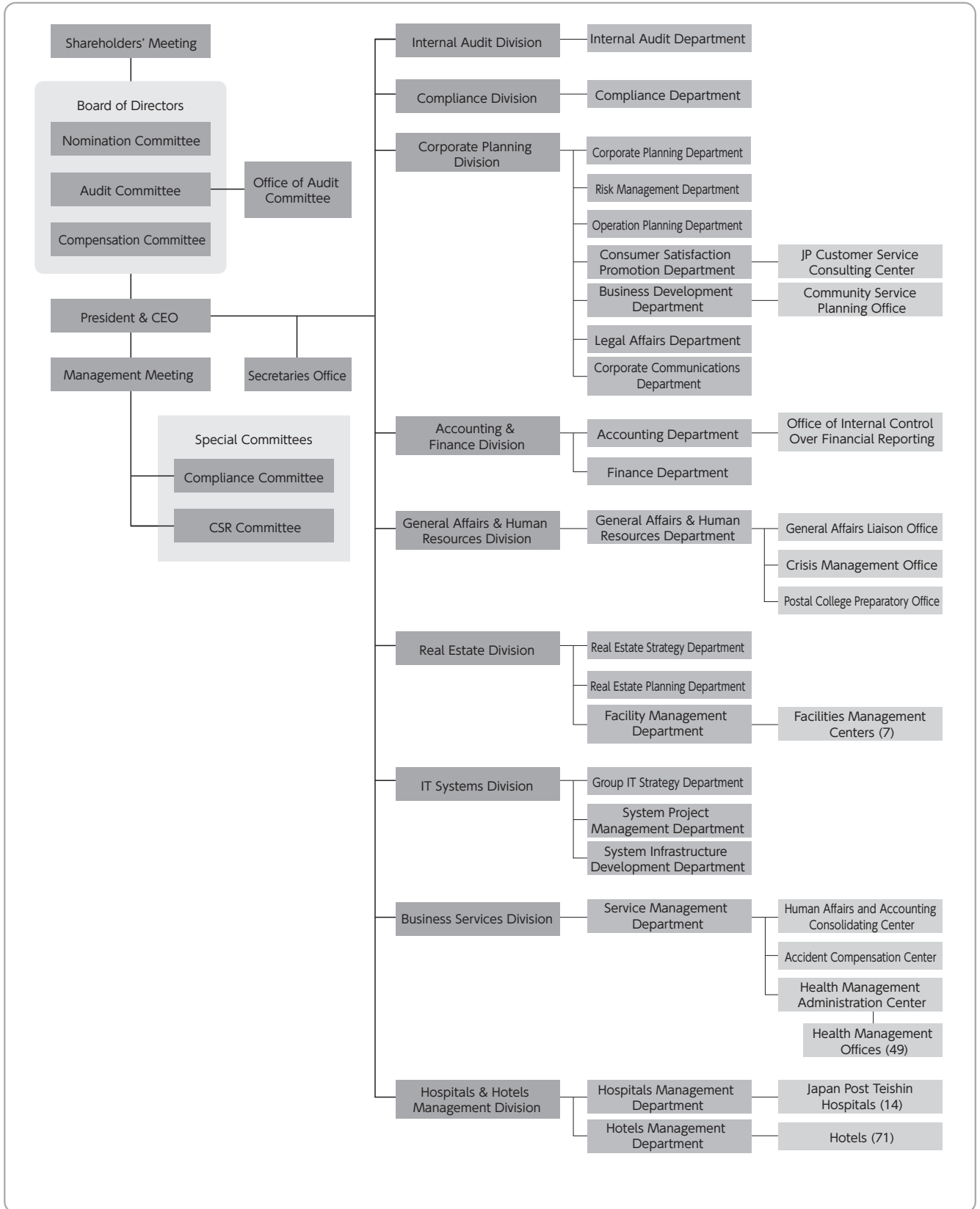
### 5. Compensation Committee

Chairperson	Hiroshi Okuda
Member	Tadashi Okamura
Member	Takashi Nishioka
Member	Jiro Saito
Member	Atsuo Saka

5

Organization Chart

(As of July 1, 2010)





## 6

## Principal Subsidiaries and Affiliates of Japan Post Holdings

(As of March 31, 2010)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	Japan Post Network Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000	Post office counter-related business	October 1, 2007	100.0% (0.0%)
	Japan Post Service Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000	Postal service business	October 1, 2007	100.0% (0.0%)
	Japan Post Bank Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	100.0% (0.0%)
	Japan Post Insurance Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	100.0% (0.0%)
	Japan Post Staff Co., Ltd.	Chuo-ku, Tokyo	¥140	Contract staffing service	July 3, 2007	100.0% (0.0%)
	Yusei Challenged Co., Ltd.	Setagaya-ku, Tokyo	¥5	Office cleaning	November 20, 2007	100.0% (0.0%)
	Post Office Business Support Co., Ltd.	Koto-ku, Tokyo	¥100	Receipt and forwarding of orders for catalog merchandise	September 11, 2007	100.0% (100.0%)
	JP Logi Service Co., Ltd.	Chuo-ku, Osaka	¥34	Preparation and posting of postal items, parcels, and mail items	October 15, 1968	67.6% (67.6%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	58.5% (58.5%)
	JP Logistics Partners Co., Ltd.	Koto-ku, Tokyo	¥100	Facilitation of sales campaigns	September 1, 2004	51.0% (51.0%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥250	Product development of mail media	February 29, 2008	51.0% (51.0%)
	JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd.	Chuo-ku, Tokyo	¥300	Truck cargo transportation	July 1, 2008	60.0% (60.0%)
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0% (100.0%)
Affiliated companies accounted for under the equity method	JP Express Co., Ltd. *1	Minato-ku, Tokyo	¥25,000	Special cargo transportation Cargo transportation	June 2, 2008	86.0% (86.0%)
	ANA & JP Express Co., Ltd.*2	Minato-ku, Tokyo	¥80	Air cargo transportation	February 1, 2006	33.3% (33.3%)
	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Bank agency operations	May 28, 1980	45.0% (45.0%)

Notes: The figures in parentheses in the column showing percentage ownership of voting rights indicate the percentage of indirect ownership through subsidiaries.

\*1 The company is scheduled to go into liquidation at the end of July 2010.

\*2 On April 1, 2010, all shares were transferred to All Nippon Airways Co., Ltd.

## 7

## Museums and Libraries

The Japan Post Group has museums and libraries relating to its activities, including Tei-Park (Communications Museum), which is Japan's only comprehensive museum related to postal services and telecommunications.

Name of facility	Location	Telephone number
Tei-Park (Communications Museum)	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004	03-3244-6811
Maejima Memorial Museum	1317-1, Shinmeigae, Shimo Ikebe, Joetsu, Niigata 943-0119	025-524-5550
Sakano Memorial Museum	1039-1, Kaidani, kita-ku, Okayama, Okayama 701-1144	086-294-5851
Postal Museum in Meiji-mura (Ujiyamada Post Office)	Museum Meiji-mura, 1 Uchiyama, Inuyama, Aichi 484-0000	0568-67-0314
Atomic Bomb Information Museum, located in the former Outpatient Wing of the Japan Post Hiroshima Teishin Hospital	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-0004	Note
Okinawa Postal Museum	3-8, Tsubokawa 3-chome, Naha, Okinawa 900-8799	098-854-0255

Note: Persons wishing to visit the Atomic Bomb Information Museum, located in the former Outpatient Wing of the Japan Post Hiroshima Teishin Hospital should contact the General Affairs section of the Japan Post Hiroshima Teishin Hospital at 082-224-5350 (Japanese only).

## 8

## Japan Post Teishin Hospitals

Name of facility	Location	Telephone number
Japan Post Sapporo Teishin Hospital	1-5-1, Kawazoe 14-jo, Minami-ku, Sapporo, Hokkaido 005-8798	011-571-5103
Japan Post Sendai Teishin Hospital	5-1, Chuo 4-chome, Aoba-ku, Sendai, Miyagi 980-8798	022-268-3150
Japan Post Yokohama Teishin Hospital	13-10, Nishi Kanagawa 1-chome, Kanagawa-ku, Yokohama, Kanagawa 221-8798	045-321-4783
Japan Post Tokyo Teishin Hospital	14-23, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-8798	03-5214-7111
Japan Post Niigata Teishin Hospital	2-8, Yachiyo 2-chome, Chuo-ku, Niigata, Niigata 950-8798	025-244-4700
Japan Post Toyama Teishin Hospital	2-29, Kashima-machi 2-chome, Toyama, Toyama 930-8798	076-423-7727
Japan Post Nagoya Teishin Hospital	2-5, Izumi 2-chome, Higashi-ku, Nagoya, Aichi 461-8798	052-932-7152
Japan Post Kyoto Teishin Hospital	109, Nishi Rokkakuchō, Shinmachi Nishiiru, Rokkakutori, Nakagyo-ku, Kyoto, Kyoto 604-8798	075-241-7167
Japan Post Osaka Kita Teishin Hospital	1-6, Nakazaki 1-chome, Kita-ku, Osaka, Osaka 530-8798	06-6361-2071
Japan Post Kobe Teishin Hospital	2-43, Kami-tsutsui Dori 6-chome, Chuo-ku, Kobe, Hyogo 651-8798	078-232-7516
Japan Post Hiroshima Teishin Hospital	19-16, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8798	082-224-5350
Japan Post Tokushima Teishin Hospital	19-2, Iga-cho 3-chome, Tokushima, Tokushima 770-8798	088-623-8611
Japan Post Fukuoka Teishin Hospital	6-11, Yakuin 2-chome, Chuo-ku, Fukuoka, Fukuoka 810-8798	092-741-0300
Japan Post Kagoshima Teishin Hospital	12-1, Shimo Ishiki 1-chome, Kagoshima, Kagoshima 890-8798	099-223-6013

## 9 Hotels

The Japan Post Group owns the following hotels.

\*Number of hotels as of July 1, 2010.

### 1. Kanpo no Yado Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Conclusion of disaster and accident prevention agreements
1	Otaru	2-670, Asarigawa Onsen, Otaru, Hokkaido 047-0192	0134-54-8511	31	○
2	Tokachigawa	9-1, Kita, Tokachigawa Onsen, Otofuke-cho, Kato-gun, Hokkaido 080-0262	0155-46-2141	43	○
3	Ichinoseki	147-5, Horyu, Genbi-cho, Ichinoseki, Iwate 021-0101	0191-29-2131	55	○
4	Yokote	1-20, Shirotsuke, Mutsunari, Yokote, Akita 013-0008	0182-32-5055	42	○
5	Matsushima	89-53, Minami-Akasaki, Nobiru, Higashi-Matsushima, Miyagi 981-0411	0225-88-3411	54	○
6	Koriyama	3-198, Atami, Atami-machi, Koriyama, Fukushima 963-1380	024-984-3511	36	○
7	Iwaki	60, Shibazaki, Tairafujima, Iwaki, Fukushima 970-0103	0246-39-2670	59	○
8	Oarai	7986-2, Isohama-cho, Oarai-machi, Higashi-Ibaraki-gun, Ibaraki 311-1301	029-267-3191	52	○
9	Itako	1830-1, Mizuhara, Itako, Ibaraki 311-2404	0299-67-5611	58	○
10	Shiobara	1256, Shiobara, Nasushiobara, Tochigi 329-2921	0287-32-2845	39	○
11	Tochigi Kitsuregawa Onsen	5296-1, Kitsuregawa, Sakura, Tochigi 329-1412	028-686-2822	53	○
12	Kusatsu	464-1051, Kusatsu, Kusatsu-machi, Agatsuma-gun, Gunma 377-1794	0279-88-5761	48	○
13	Isobe	22, Gobara, Annaka, Gunma 379-0135	027-385-6321	51	○
14	Yorii	2267, Sueno, Yorii-machi, Osato-gun, Saitama 369-1205	048-581-1165	51	○
15	Kamogawa	1137, Nishi-cho, Kamogawa, Chiba 296-0043	04-7092-1231	101	○
16	Asahi	2280-1, Nittama, Asahi, Chiba 289-2525	0479-63-2161	75	○
17	Katsuura	2183-5, Ubara, Katsuura, Chiba 299-5243	0470-76-3011	50	○
18	Ome	668-2, Komaki-cho 3-chome, Ome, Tokyo 198-0053	0428-23-1171	52	○
19	Hakone	159, Motohakone, Hakone-machi, Ashigarashimo-gun, Kanagawa 250-0522	0460-84-9126	29	○
20	Isawa	348-1, Matsumoto, Isawa-cho, Fuefuki, Yamanashi 406-0021	055-262-3755	54	○
21	Kashiwazaki	2-15, Kotobuki-cho, Kashiwazaki, Niigata 945-0846	—	—	—
22	Suwa	15-16, Owa 2-chome, Suwa, Nagano 392-0001	0266-52-1551	36	○
23	Atami (Main Building)	12-3, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	159	○
	Atami (Annex)	13-77, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	45	
24	Shuzenji	1257-4, Kumasaka, Izu, Shizuoka 410-2411	0558-72-3151	32	○
25	Izukogen	1104-5, Yawatano, Ito, Shizuoka 413-0232	0557-51-4400	59	○
26	Toyama	5691-2, Hane, Fuchu-machi, Toyama, Toyama 939-2694	076-469-3135	40	○
27	Yamashiro	32-1, Onsen-dori, Yamashiro Onsen, Kaga, Ishikawa 922-0254	0761-77-1600	46	○
28	Fukui	43-17, Fuchi-machi, Fukui, Fukui 918-8026	0776-36-5793	33	○
29	Yaizu	1375-2, Hamatome, Yaizu, Shizuoka 425-8533	054-627-0661	43	○
30	Hamanako-Mikkabi	2977-2, Tsuzuki, Mikkabi-cho, Kita-ku, Hamamatsu, Shizuoka 431-1496	053-526-1201	41	○
31	Sangane	1-221, Nyukaizan, Higashihazu, Hazu-cho, Hazu-gun, Aichi 444-0701	0563-62-2650	32	○
32	Chita-Mihama	39, Suhara, Okuda, Mihama-cho, Chita-gun, Aichi 470-3233	0569-87-1511	42	○
33	Ena	2709, Oi-cho, Ena, Gifu 509-7201	0573-26-4600	54	○
34	Gifu-Hashima	1041, Umaminami, Kuwabara-cho, Hashima, Gifu 501-6323	058-398-2631	40	○
35	Toba	1200-7, Arashima-cho, Toba, Mie 517-0021	0599-25-4101	60	○
36	Kumano	1020-7, Ido-cho, Kumano, Mie 519-4324	0597-89-4411	27	○
37	Hikone	3759, Matsubara-cho, Hikone, Shiga 522-0002	0749-22-8090	41	○
38	Maizuru	224-5, Ueyasu, Maizuru, Kyoto 624-0912	—	—	—
39	Tondabayashi	880-1, Ryusen, Tondabayashi, Osaka 584-0053	0721-33-0700	43	○
40	Yamatoheguri	16-1, Kamisho 2-chome, Heguri-cho, Ikoma-gun, Nara 636-0905	0745-45-0351	34	○
41	Nara	9-1, Nijo-cho 3-chome, Nara, Nara 630-8002	0742-33-2351	40	○
42	Shirahama	1688-2, Shirahama-cho, Nishimuro-gun, Wakayama 649-2211	0739-42-2980	31	○
43	Kii-Tanabe	24-1, Mera, Tanabe, Wakayama 646-8501	0739-24-2900	52	○
44	Arima	1617-1, Arima-cho, Kita-ku, Kobe, Hyogo 651-1401	078-904-0951	53	○
45	Ako	883-1, Misaki, Ako, Hyogo 678-0215	0791-43-7501	50	○

Number	Name of facility	Location	Telephone number	Number of rooms	Conclusion of disaster and accident prevention agreements
46	Awajishima	824, Toshima, Awaji, Hyogo 656-1711	0799-82-1073	40	○
47	Kaike	1-7, Kaikeshinden 3-chome, Yonago, Tottori 683-0002	0859-33-4421	35	○
48	Mimasaka Yunogo	674-7, Nakayama, Mimasaka, Okayama 707-0061	0868-72-5551	35	○
49	Takehara	442-2, Nishino-cho, Takehara, Hiroshima 725-0002	0846-29-0141	40	○
50	Hikari	31-1, Murozumi-Higashinosho, Hikari, Yamaguchi 743-0005	0833-78-1515	40	○
51	Yuda	1-42, Kanda-cho, Yamaguchi, Yamaguchi 753-0064	083-922-5226	40	○
52	Kannonji	1101-4, Ikenoshiri-cho, Kannonji, Kagawa 768-0031	0875-27-6161	55	○
53	Sakaide	2048-91, Takaya-cho, Sakaide, Kagawa 762-0017	0877-47-0531	41	○
54	Tokushima	3-70, Nakatsuyama, Hachiman-cho, Tokushima, Tokushima 770-8071	088-625-1255	46	○
55	Dogo	3-1, Mizonobe-machi, Matsuyama, Ehime 791-0101	089-977-0460	54	○
56	Ino	1569, Hakawa, Ino-cho, Agawa-gun, Kochi 781-2128	088-892-1580	52	○
57	Kitakyushu	2829, Arige, Wakamatsu-ku, Kitakyushu, Fukuoka 808-0123	093-741-1335	50	○
58	Yanagawa	10-1, Yashiro-machi, Yanagawa, Fukuoka 832-0057	0944-72-6295	40	○
59	Shimabara	8362-3, Hakusan-machi, Shimabara, Nagasaki 855-0824	—	—	—
60	Beppu	457, Tsurumi, Beppu, Oita 874-0844	0977-66-1271	49	
61	Hita	685-6, Nakanoshima-machi, Hita, Oita 877-0074	0973-24-0811	53	○
62	Yamaga	2450, Shijiki, Yamaga, Kumamoto 861-0542	0968-43-5121	28	○
63	Aso	5936, Miyaji, Ichinomiya-machi, Aso, Kumamoto 869-2612	0967-22-1122	66	○
64	Nichinan	2228-1, Hoshikura, Nichinan, Miyazaki 889-2533	0987-22-5171	46	○
65	Recreation Center in Naha	9-15, Minato-machi 2-chome, Naha, Okinawa 900-0001	098-862-4740	76	○

## 2. Kanpo no Sato Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Conclusion of disaster and accident prevention agreements
66	Sakata	17-26, Iimoriyama 3-chome, Sakata, Yamagata 998-8588	0234-31-4126	39	○
67	Hakusan-Oguchi	43-3, U, Seto, Hakusan, Ishikawa 920-2331	076-256-8080	43	○
68	Shobara	281-1, Shinjo-cho, Shobara, Hiroshima 727-0004	0824-73-1800	62	○
69	Usa	1571-1, Kawabe, Usa, Oita 879-0452	0978-37-2288	32	○

## 3. Rafre Saitama and Other Facilities

Number	Name of facility	Location	Telephone number	Number of rooms	Conclusion of disaster and accident prevention agreements
70	Rafre Saitama	3-2, Shintoshin, Chuo-ku, Saitama, Saitama 330-0081	048-601-1111	187	○
71	U-Port Recreation Center in Setagaya	17-1, Kamata 2-chome, Setagaya, Tokyo 157-0077	03-3709-0161	—	○

Notes 1: For more details, contact the hotels directly or call the customer service center of *Kanpo no Yado* inns at 0120-715294 (weekdays: 9:30 to 18:15).

2: *Kanpo no Yado* inns located in Kashiwazaki, Maizuru and Shimabara are temporarily closed.

3: Rooms for long-stay customers at *Kanpo no Yado* inns (former welfare facilities for elderly policyholders) have been closed as of March 31, 2009.

\* Disaster and accident prevention agreements are cooperation agreements concluded in advance with local governments, which stipulate that facilities may be used as evacuation areas, for bathing or for the provision of food in the event of a disaster, based on a request from the local government.

## 10 History of the Japan Post Group

April 1871	Modern postal service introduced
January 1875	Government mail offices and mail handling offices renamed post offices
	Postal money order service established
May 1875	Postal savings service established
December 1885	Ministry of Communications established
March, 1906	Postal <i>giro</i> service established
October, 1916	Postal life insurance services established
June, 1949	The Ministry of Posts and Telecommunications established
January, 2001	In accordance with the central government reform, Ministry of Public Management, Home Affairs and Posts and Telecommunications (MPHPT) and Postal Service Agency established
April, 2003	Japan Post established (and integrated with the Postal Life Insurance Welfare Corporation)
January, 2006	Japan Post Holdings Co., Ltd. established as a preparation and planning company for privatization
October, 2007	Japan Post Group (Japan Post Holdings Co., Ltd., Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.) established
February, 2008	Agreement to establish a comprehensive alliance with LAWSON, INC. signed
May, 2008	Japan Post Forest program launched
June, 2008	Redevelopment plan of Tokyo Central Post Office announced
October, 2008	"Write a letter to yourself in the future" project implemented (until January 2009)
December, 2009	Holding meetings to gather feedback on Japan Post Group services
	Report on the commissioning of post office monitors

# 3. Outline of Japan Post Network Co., Ltd.

## 1 Company Outline

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Company name (in Japanese):	Yubinkyoku Kabushiki Kaisha
Company name:	JAPAN POST NETWORK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥100 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Network Act (Law No. 100 of October 21, 2005)
Lines of business:	Postal counter operations for regular mail, parcels and other items; sales of revenue stamps; bank agency services; intermediary services for financial products; solicitation of life and non-life insurance; real estate business; merchandise sales; and operations consigned by local government entities

## 2 Management Philosophy

---

### Management Philosophy

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

1. We will supply products and services that precisely match customers’ needs from the perspective of each one of them.
2. We will create an even better infrastructure for our customers’ lives, constantly upgrading the post office network’s capabilities by evolving with social and regional changes.
3. We will fulfill our responsibilities as a corporate citizen by establishing corporate governance systems and strictly implementing compliance.
4. We will encourage all employees to refine their skills and aim for higher goals while interacting with society and the residents of the communities we serve.



### 3 Information on Shares

#### 1. Number of Shares

Total shares issued	4,000,000
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#### 2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	4,000,000	100%

### 4 Number of Employees

111,253\* (as of March 31, 2010)

\* Number of regular employees. Includes employees seconded to Japan Post Network Co., Ltd. Excludes employees seconded to other companies and temporary employees.

### 5 List of Directors, Auditors and Executive Officers

(As of July 1, 2010)

#### 1. Directors

Chairman & CEO.....	Koji Furukawa
President.....	Akira Nagatomi
Executive Vice President.....	Chikanori Saio (Concurrently holds the position of Senior Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director (Outside).....	Hidekazu Inoue (Formerly held the position of President of Nippon Telegraph and Telephone East Corporation; Concurrently holds the post of Director of Japan Post Holdings Co., Ltd.)
Director (Outside).....	Seisuke Ueshima (Formerly held the position of Chairman of Yamaha Corporation)
Director (Outside).....	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)

#### 2. Auditors

Haruki Inuma  
Kiyoshi Nishimura  
Yoshikazu Yamaguchi  
Satoru Ito

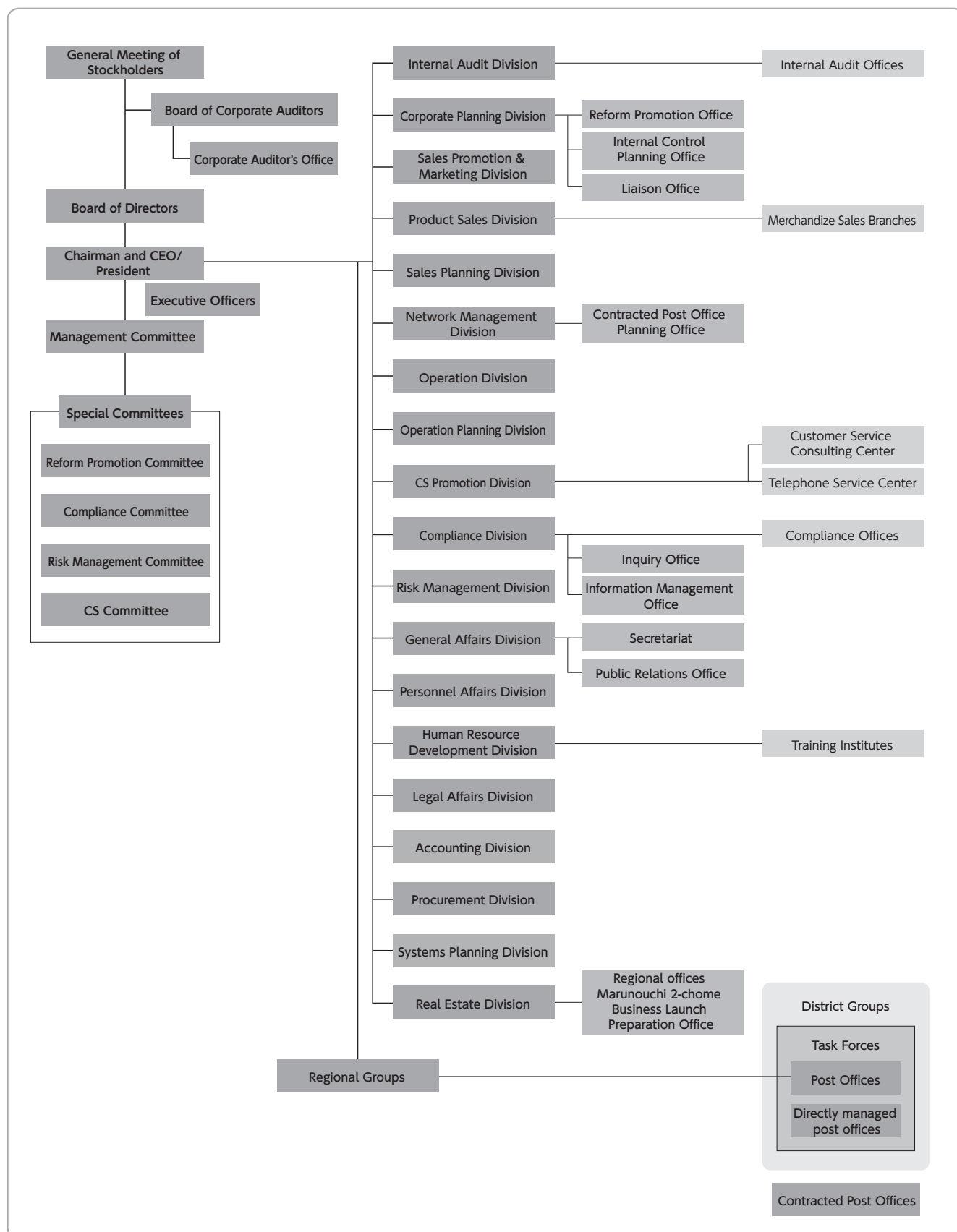
### 3. Executive Officers

Senior Managing Executive Officer	Kiyoteru Suzuki
Senior Managing Executive Officer	Nobuyuki Hidaka
Managing Executive Officer	Manabu Kawamura
Managing Executive Officer	Hitoshi Shirakawa
Managing Executive Officer	Kinzo Nakazawa
Managing Executive Officer	Toshihiro Tsuboi
Managing Executive Officer	Kazuya Yamaguchi
<small>(Concurrently holds the position of Managing Executive Officer of Japan Post Bank, Co., Ltd.)</small>	
Managing Executive Officer	Masatoshi Shinoda

Managing Executive Officer	Satoshi Hoshino
<small>(Concurrently holds the position of Managing Executive Officer of Japan Post Bank, Co., Ltd.)</small>	
Executive Officer	Shin Ueda
Executive Officer	Atsuko Onodera
Executive Officer	Kikuo Kushibiki
Executive Officer	Yoshikazu Kurita
Executive Officer	Kiyoshi Kobayashi
Executive Officer	Yoshihiko Ota

## 6 Organization Chart

(As of July 1, 2010)



Corporate Data

Financial Data

Other Data

## 7

## Names and Locations of Regional Offices

(As of July 1, 2010)

Name of regional office	Location
Hokkaido	4-3, Kita 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	1-1, Sakuragi-cho, Naka-ku, Yokohama, Kanagawa 231-8694
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797
Tokai	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797

## 8

## Training Institutes and Internal Audit Offices

Training Institutes: 11

Internal Audit Offices: 50

\*The number of training institutes includes Postal College.

## 9

## Post Offices by Prefecture

(As of March 31, 2010)

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Hokkaido	1,215	0	273	1,488	0	0	27	27	1,515
Aomori	267	0	94	361	0	0	1	1	362
Iwate	308	0	119	427	0	0	5	5	432
Miyagi	363	0	93	456	0	0	0	0	456
Akita	273	0	128	401	0	0	0	0	401
Yamagata	289	0	108	397	0	0	1	1	398
Fukushima	432	0	111	543	0	0	5	5	548
Ibaraki	465	0	52	517	0	0	4	4	521
Tochigi	311	0	43	354	0	0	4	4	358
Gunma	302	0	36	338	0	0	2	2	340
Saitama	623	0	17	640	0	0	2	2	642
Chiba	691	0	34	725	0	0	0	0	725
Kanagawa	753	1	13	767	0	0	1	1	768
Yamanashi	201	0	57	258	0	0	9	9	267
Tokyo	1,497	5	7	1,509	8	0	0	8	1,517
Niigata	535	2	137	674	0	0	10	10	684
Nagano	445	0	199	644	0	0	16	16	660
Toyama	212	0	77	289	0	0	2	2	291
Ishikawa	254	1	70	325	0	0	2	2	327
Fukui	210	0	32	242	0	0	1	1	243
Gifu	355	1	88	444	0	0	14	14	458
Shizuoka	484	0	91	575	0	0	28	28	603
Aichi	835	5	77	917	0	0	17	17	934
Mie	372	0	85	457	0	0	10	10	467
Shiga	229	0	30	259	0	0	2	2	261
Kyoto	441	2	34	477	1	0	0	1	478
Osaka	1,086	6	31	1,123	0	0	0	0	1,123
Hyogo	840	3	121	964	0	0	2	2	966
Nara	241	0	79	320	0	0	3	3	323
Wakayama	263	0	54	317	0	0	0	0	317
Tottori	147	0	95	242	0	0	5	5	247
Shimane	257	0	115	372	0	0	7	7	379
Okayama	419	3	101	523	0	0	13	13	536
Hiroshima	583	1	112	696	0	0	9	9	705

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Yamaguchi	354	2	59	415	0	0	6	6	421
Tokushima	203	0	30	233	0	0	6	6	239
Kagawa	189	0	30	219	0	0	8	8	227
Ehime	316	0	75	391	0	0	8	8	399
Kochi	229	0	93	322	0	0	1	1	323
Fukuoka	714	0	94	808	0	0	3	3	811
Saga	166	0	40	206	0	0	0	0	206
Nagasaki	311	0	136	447	0	0	2	2	449
Kumamoto	391	0	176	567	0	0	2	2	569
Oita	308	0	93	401	0	0	1	1	402
Miyazaki	196	0	113	309	0	0	1	1	310
Kagoshima	436	2	281	719	0	0	2	2	721
Okinawa	180	2	20	202	0	0	0	0	202
Nationwide total	20,191	36(Note 1)	4,053	24,280	9	0	242(Note 2)	251	24,531

\* The respective number of post offices include those that are not commissioned to carry out bank agency and insurance operations and excludes mobile post offices.

\* Contracted post offices operate under consignment contracts.

\* Post offices out of service are those post offices where customers have been informed that the office is being closed temporarily and counter services have been suspended.

Note 1: Of this total of 36, two post office branches were established as an emergency measure while a contracted post office was temporarily closed.

2: Services in areas where contracted post offices have been closed are as follows. Additionally, since October 1, 2007, 375 contracted post offices that have been temporarily closed resumed operations, and the number of contracted post offices temporarily closed has been reduced by 175.

Number of contracted post offices out of service	Number of instances where services are provided by personnel dispatched to the location	Number of instances where services are provided by mobile post offices
242	90	5 (2 vehicles)

## 10 Outline of Subsidiary

(As of March 3, 2010)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Network ownership	Ownership of voting shares
Post Office Business Support Co., Ltd.	Koto-ku, Tokyo	¥100	Processing of orders received and placed for catalog sales operations	September 11, 2007	100.0%	100.0%



## 11 History of Japan Post Network

April 1871	Modern postal service introduced
January 1875	Government mail offices and mail handling offices renamed post offices
	Postal money order service established
May 1875	Postal savings service established
December 1885	Ministry of Communications established
March 1906	Postal <i>giro</i> service established
October 1916	Postal life insurance services established
June 1949	The Ministry of Posts and Telecommunications established
January 2001	Postal Service Agency established as part of realignment of government ministries
April 2003	Japan Post established
January 2006	Japan Post Holdings Co., Ltd. established as a preparation and planning company for privatization
October 2007	Japan Post Group established
	Japan Post Network Co., Ltd. established
	Sales of automobile insurance commenced
December 2007	Forum to investigate ways to strengthen contracted post office service channels established (until March 2008)
February 2008	Alternative services to replace temporarily closed contracted post offices initiated (via external sales and service personnel and mobile post offices)
March 2008	Spring <i>Arigatou-Fair</i> implemented
April 2008	Advertising business started by making effective use of extra space at post offices
May 2008	Variable annuity sales commenced
June 2008	Summer <i>Arigatou-Fair</i> implemented (until August 2008)
August 2008	Post Office Referrals comprehensive lifestyle referral services launched
	Sales of products and services at post offices started (JP LAWSON stores)
October 2008	Sales of third-sector insurance commenced
	Sales of life insurance for companies (for management-level personnel) commenced
	Winter <i>Arigatou-Fair</i> implemented (until December 2008)
November 2008	Post office mail-order shop launched on website
January 2009	Transfer services with other financial institutions via the Zengin Data Telecommunication System started
March 2009	Total printing service launched
	Cargo collection using four-wheeled mini-vehicles started
	Spring <i>Arigatou-Fair</i> implemented (until April 2009)
June 2009	Sales of mail-related products commenced in post offices
	Home-visit financial services commenced at post offices in less-populated areas
July 2009	Increasing term life insurance sales commenced
October 2009	Same Day Speedy Printing Service for New Year's Postcards commenced
November 2009	Launched In print New Year's postcards and New Year's money envelopes
	Trial introduction of electric vehicles (EVs)
March 2010	Spring <i>Arigatou-Fair</i> implemented (until April 2010)

# 4. Outline of Japan Post Service Co., Ltd.

## 1 Company Outline

Company name (in Japanese):	Yubin Jigyo Kabushiki Kaisha
Company name:	JAPAN POST SERVICE Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥100 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Service Act (Law No. 99 of October 21, 2005)
Lines of business:	Postal service business, domestic distribution and delivery business, international cargo transport and agency services for air cargo business, logistics business., etc.

## 2 Management Philosophy

### Management Philosophy

While maintaining universal services for postal businesses, Japan Post Service will create a "network that conscientiously connects people, businesses, and society" by providing services that enable the public to enjoy secure, certain and speedy communications and the benefit of logistics functions.

1. We will continue to provide universal postal service through more efficient business operations.
2. We will expand and upgrade logistics services in Japan and overseas by making extensive use of our resources with the aim of meeting customers' diversifying needs.
3. We will provide services that deliver true customer satisfaction, continually improving service quality and developing new service offerings, based on the perspective of our customers.
4. We will maintain effective corporate internal audits and internal controls and conduct a strict compliance program. We will appropriately disclose information to ensure the transparency of our business activities.
5. We will create opportunities for customers, employees and the general public to lead vibrant and enjoyable lives.

## 3 Information on Shares

### 1. Number of Shares

Total shares issued	4,000,000
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### 2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	4,000,000	100%

## 4 Number of Employees

94,110\* (as of March 31, 2010)

\* Number of regular employees. Includes employees seconded to Japan Post Service Co., Ltd. Excludes employees seconded to other companies and temporary employees.

## 5 List of Directors, Auditors and Executive Officers

(As of July 1, 2010)

### 1. Directors

President and COO.....	Shinichi Nabekura
Executive Vice President .....	Yoshiro Nakajo (Concurrently holds the position of Senior Managing Executive Officer at Japan Post Holdings Co.,Ltd.)
Director (Outside).....	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside).....	Masafumi Yokota (Concurrently holds the position of partner with Corporate Direction Co., Ltd.)

### 2. Auditors

Takao Ito  
Katsuyuki Okada  
Yoshio Haibara

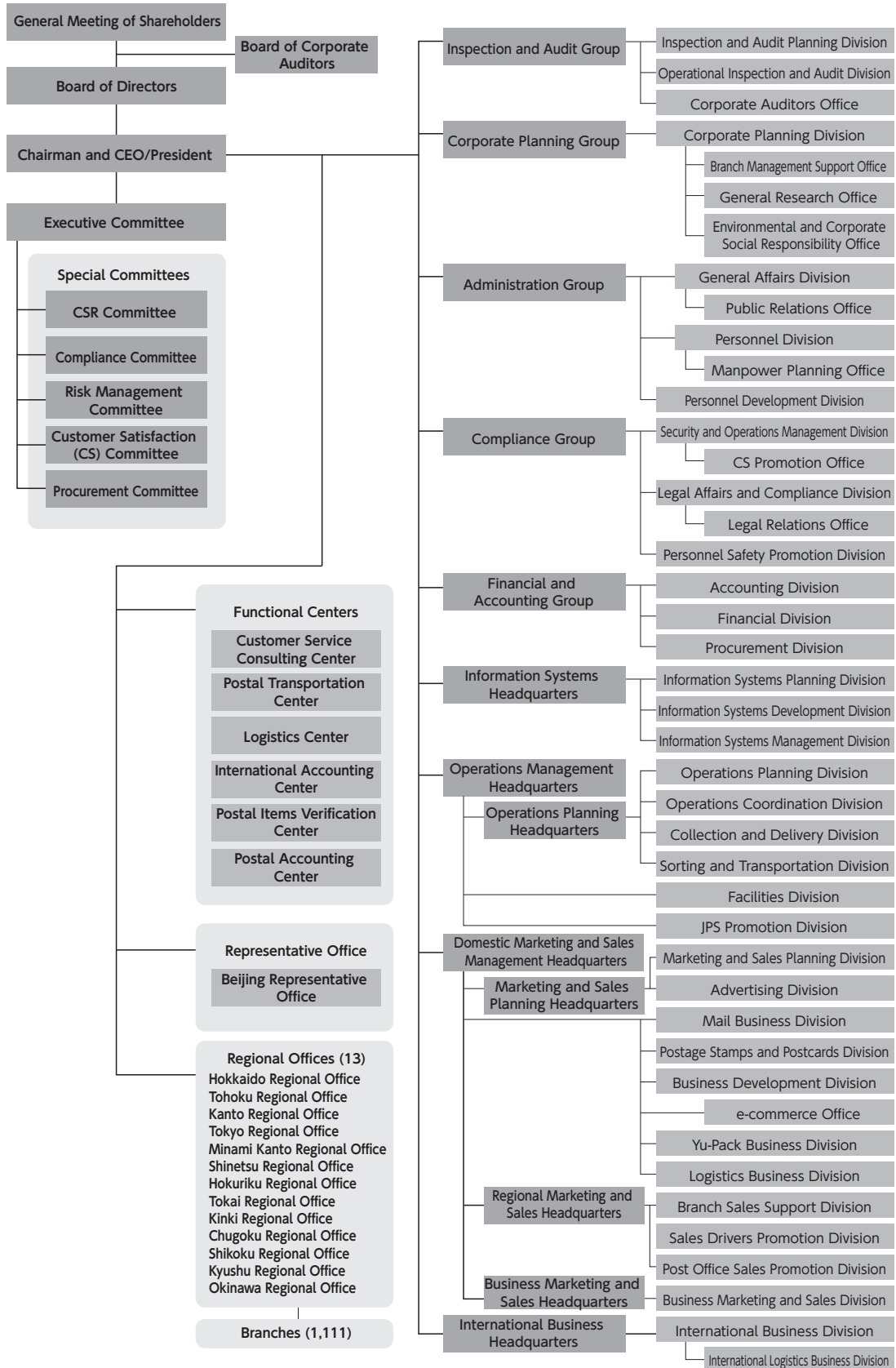
### 3. Executive Officers

First Executive Officer	Ikuo Shirakane	Executive Officer	Kazuaki Daikaku
Senior Executive Officer	Yuji Uenuma	Executive Officer	Naoki Nakashima
Senior Executive Officer	Seiji Katsuno	Executive Officer	Toshiyuki Hama
Senior Executive Officer	Tameyasu Tsukada	Executive Officer	Osamu Hitani
Senior Executive Officer	Takao Miwa	Executive Officer	Seiki Fukuda
Executive Officer	Chikashi Isayama	Executive Officer	Hideyuki Hokazono
Executive Officer	Toru Inasawa	Executive Officer	Tokio Matsumoto
Executive Officer	Shuji Obu	Executive Officer	Junichiro Miyazaki
Executive Officer	Kimihiko Oku	Executive Officer	Keiichi Yano
Executive Officer	Hidetoshi Kuriyama		

6

Organization Chart

(As of July 1, 2010)



## 7

## Names and Locations of Regional Offices

(As of July 1, 2010)

Name of regional office	Location
Hokkaido	4-3, Kita 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	14-2, Takashima 2-chome, Nishi-ku, Yokohama, Kanagawa 220-8998
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797
Tokai	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797

## 8

## Number of Offices by Prefecture

(As of March 31, 2010)

Prefecture	Number of offices	Prefecture	Number of offices
Hokkaido	57	Shiga	12
Aomori	10	Kyoto	27
Iwate	15	Osaka	68
Miyagi	18	Hyogo	46
Akita	11	Nara	15
Yamagata	11	Wakayama	12
Fukushima	20	Tottori	4
Ibaraki	30	Shimane	7
Tochigi	17	Okayama	19
Gunma	16	Hiroshima	27
Saitama	51	Yamaguchi	18
Chiba	47	Tokushima	7
Kanagawa	55	Kagawa	10
Yamanashi	11	Ehime	16
Tokyo	89	Kochi	9
Niigata	27	Fukuoka	45
Nagano	24	Saga	8
Toyama	12	Nagasaki	12
Ishikawa	12	Kumamoto	16
Fukui	10	Oita	11
Gifu	19	Miyazaki	6
Shizuoka	31	Kagoshima	11
Aichi	62	Okinawa	14
Mie	16	Nationwide total	1,091

## 9 Number of Collection and Delivery Centers

Collection and delivery centers: 2,541  
(As of March 31, 2010)

## 10 Subsidiaries and Affiliated Companies

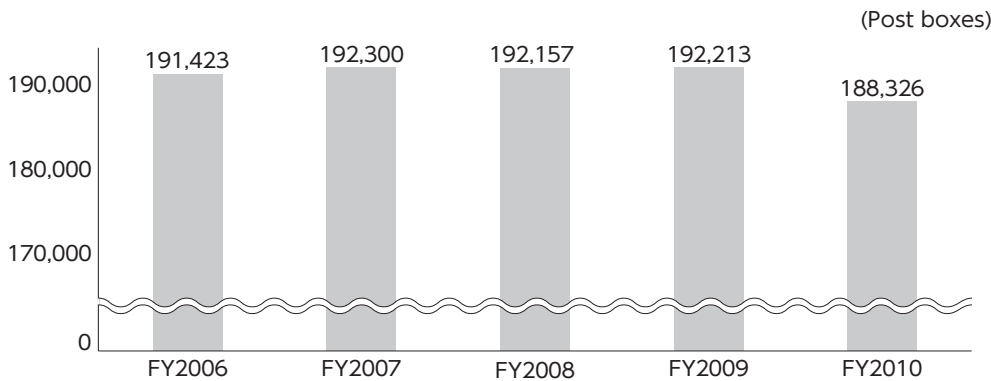
(As of March 31, 2010)

Affiliation	Company name	Location of principal office	Paid-in capital (millions)	Line of business	Date of establishment	Japan Post Service ownership	Ownership of voting shares
Consolidated subsidiaries	JP Logi Service Co., Ltd.	Japan Post Group Osaka Bldg., 3-9 Kitahama Higashi, Chuo-ku, Osaka 540-0031	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6%	67.6%
	JP Biz Mail Co., Ltd.	42-4, Senjuakebono-cho, Adachi-ku, Tokyo 120-0023	¥100	Preparation and posting of postal items	February 1, 2006	51.0%	58.5%
	JP Logistics Partners Co., Ltd.	4-23, Shinsuna 2-chome, Koto-ku, Tokyo 137-8799	¥100	Facilitation of sales campaigns	September 1, 2004	51.0%	51.0%
	JP Media Direct Co., Ltd.	Toranomon NN Bldg. 5F, 21-17, Toranomom 1-chome, Minato-ku, Tokyo 105-0001	¥250	Product development of direct media	February 29, 2008	51.0%	51.0%
	Japan Post Transport Co., Ltd.	4-1 Shiba-koen 2-chome, Minato-ku, Tokyo 105-0011	¥18,250	Truck cargo transportation	November 30, 2007	100.0%	100.0%
	JAPAN POST SANKYU GLOBAL LOGISTICS Co., Ltd.	Hokusui Bldg No. 2, 11-11 Kachidoki 5-chome, Chuo-ku, Tokyo 104-0054	¥300	International air freight forwarding	July 1, 2008	60.0%	60.0%
	JP Express Co., Ltd.*1	Shin-Nikko Bldg West 10F, 10-1 Toranomom 2-chome, Minato-ku, Tokyo 105-0001	¥25,000	Truck cargo transportation	June 2, 2008	86.0%	86.0%
Affiliated companies accounted for under the equity method	ANA & JP Express Co., Ltd.*2	5-2, Higashi Shinbashi 1-chome, Minato-ku, Tokyo 105-7133	¥80	Air cargo transportation	February 1, 2006	33.3%	33.3%

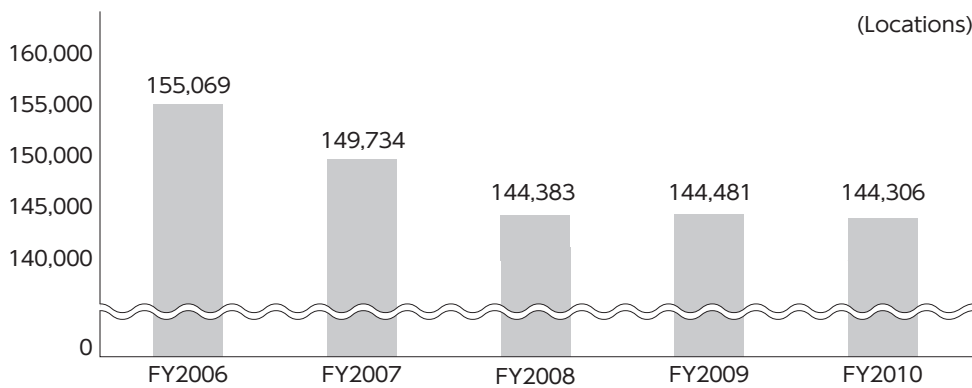
Notes: 1. The company is scheduled to go into liquidation at the end of July 2010.  
2. On April 1, 2010, all shares were transferred to All Nippon Airways Co., Ltd.



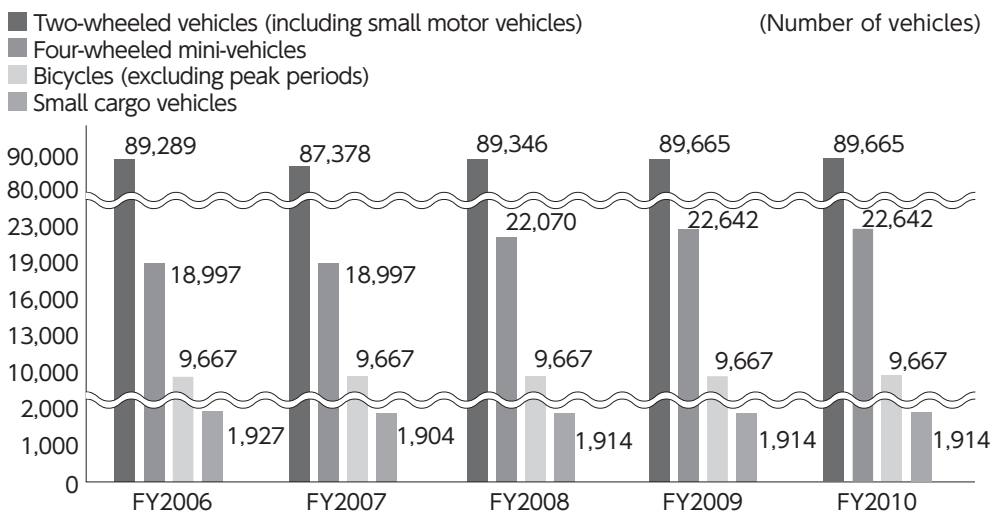
## 11 Number of Post Boxes



## 12 Number of Locations Selling Postage Stamps and Revenue Stamps



## 13 Number of Vehicles Owned



April 1871	Modern postal service established
	Issuance of postal stamps begun
August 1872	Nationwide implementation of the postal services system
December 1885	Ministry of Communications established
February 1887	The 〒 mark adopted as the logo for the Ministry of Communications
October 1892	Parcel post services begun
June 1949	The Ministry of Posts and Telecommunications established
December 1949	Issuance of New Year's lottery postcards begun
January 2001	Postal Service Agency established as part of realignment of government ministries
April 2003	Japan Post established
April 2005	Delivery-area designated mail service (Town Mail) launched
	Delivery-area designated booklet parcels service (Town Plus) launched
January 2006	Japan Post Holdings Co., Ltd. established as a preparation and planning company for privatization
April 2006	POSPACKET service launched
September 2006	Sale of frame stamps with photos introduced
	Realignment of collection and delivery centers (from September 2006 through March 2007)
October 2007	Japan Post Group established
	Japan Post Service Co., Ltd. established
November 2007	First New Year's greeting postcards with donation feature for environmental carbon offset purposes introduced
August 2008	Application for forwarding service via the Internet initiated
	Internet shopping mall newly established for China
December 2008	Ceremonies to launch test demonstrations of environment-friendly vehicles held
February 2009	Commenced an Internet-based Yu-Pack label printing service (Web printing service)
April 2009	Began rolling out ID confirmation delivery service for conveying specific details nationwide
	Implemented a variety of measures, including elimination of commission fees charge on cash-on-delivery Yu-Pack services
February 2010	Web <i>Yubin</i> service is initiated
April 2010	LETTERPACK service is initiated

# 5. Outline of Japan Post Bank Co., Ltd.

## 1 Company Outline

Company name (in Japanese):	Kabushiki Kaisha Yucho Ginko
Company name:	JAPAN POST BANK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital	¥3,500 billion
Date of establishment:	September 1, 2006 (On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)
Line of business:	Banking
Financial institution code number:	9900

## 2 Management Philosophy

### Management Philosophy

Japan Post Bank is dedicated to serving as “the most convenient and dependable bank in Japan,” with operations that are guided by the needs and wishes of our customers.

**Dependability:** We will comply with laws regulations and other standards of behavior in order to earn the trust of markets, shareholders and employees and consistently serve as a responsible corporate citizen.

**Innovation:** We will constantly use innovative ideas to improve our management and business activities in response to input from customers and changes in market conditions.

**Efficiency:** We will pursue improvements in speed and efficiency in order to be a source of products and services that match our customers' requirements.

**Expertise:** We will work continually on upgrading expertise in specialized fields with the aim of meeting the high expectations of our customers.

## 3 Information on Shares

### 1. Number of Shares

Total shares issued	150,000,000
---------------------	-------------

### 2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	150,000,000	100%

## 4 Number of Employees

12,060\* (as of March 31, 2010)

\* Number of regular employees. Includes employees seconded to Japan Post Bank Co., Ltd. Excludes employees seconded to other companies and contract and temporary employees.

**1. Board Members**

Director, Chairman .....	Shigeo Kawa
Director, President & CEO .....	Yoshiyuki Izawa
Director (Outside) .....	Jiro Saito
Director (Outside) .....	Fumio Masada
Director (Outside) .....	Atsushi Kinebuchi
Director (Outside).....	Tomoyoshi Arita

**2. Executive Officers**

Executive Vice President	Tomohiro Yonezawa	Executive Officer	Takashi Usuki
Executive Vice President	Sumio Fukushima	Executive Officer	Yoko Makino
Senior Managing Executive Officer	Tomohisa Mase	Executive Officer	Kunihiko Amaha
Senior Managing Executive Officer	Toru Takahashi	Executive Officer	Osami Niihori
Managing Executive Officer	Hiroshi Yamada	Executive Officer	Naoto Misawa
Managing Executive Officer	Riki Mukai	Executive Officer	Masaya Aida
Managing Executive Officer	Satoshi Hoshino	Executive Officer	Masato Wakai
Managing Executive Officer	Susumu Tanaka	Executive Officer	Katsumi Amano
Managing Executive Officer	Masahiro Murashima	Executive Officer	Yoichi Uno
Managing Executive Officer	Hiroichi Shishimi		
Managing Executive Officer	Kazuya Yamaguchi		

**3. Nomination Committee**

Chairman	Jiro Saito
Member	Shigeo Kawa
Member	Yoshiyuki Izawa
Member	Fumio Masada
Member	Atsushi Kinebuchi

**4. Audit Committee**

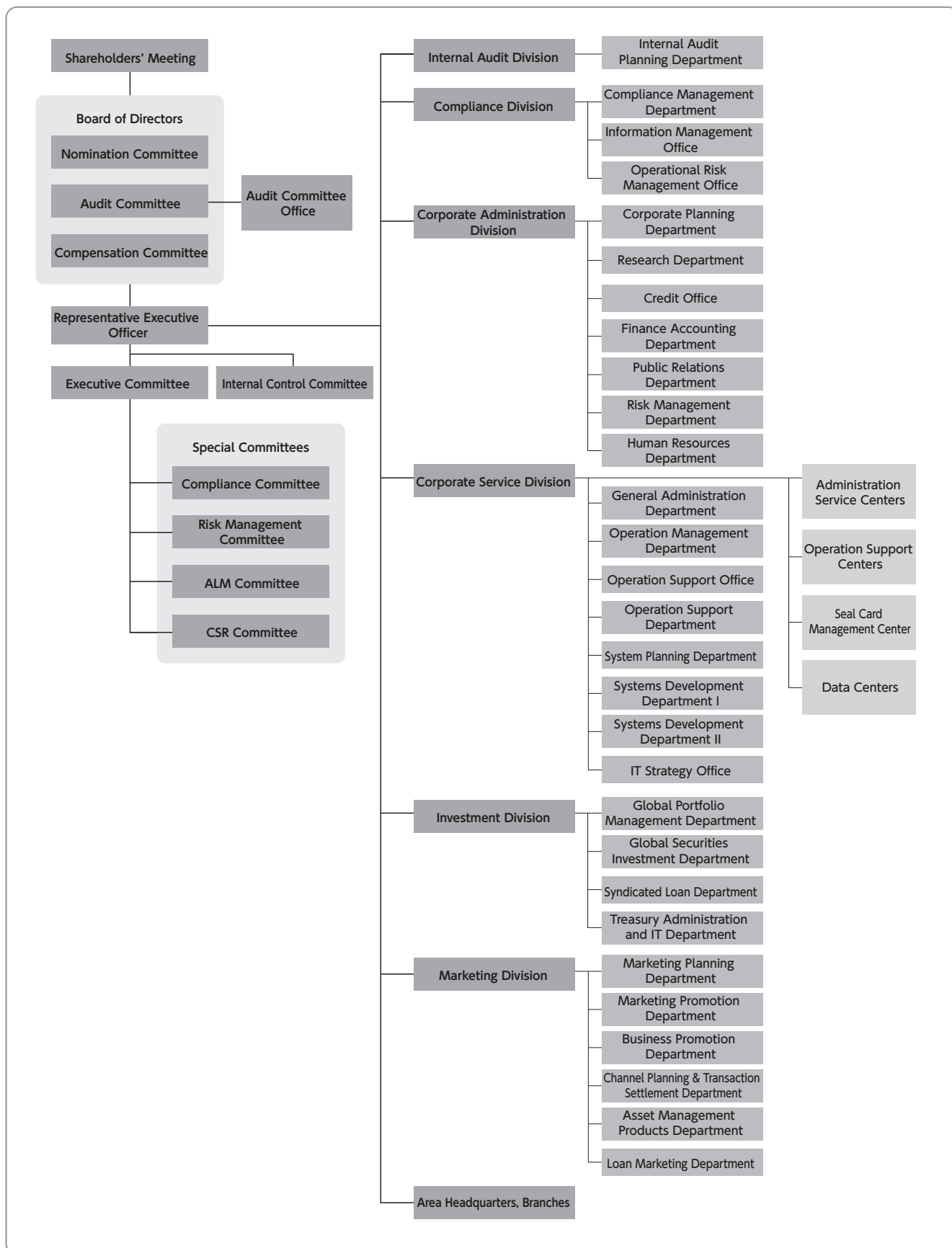
Chairman	Tomoyoshi Arita
Member	Fumio Masada
Member	Atsushi Kinebuchi

**5. Compensation Committee**

Chairman	Jiro Saito
Member	Shigeo Kawa
Member	Yoshiyuki Izawa
Member	Fumio Masada
Member	Atsushi Kinebuchi

## 6 Organization Chart

(As of July 1, 2010)



## 7

## Principal Business Locations

Head Office and 234 marketing offices

(As of March 31, 2010)

Name of branch	Location	Telephone numbers
Sapporo Branch	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002	011-214-4300
Sendai Branch	1-3-3, Ichibancho, Aoba-ku, Sendai, Miyagi 980-8711	022-267-8275
Saitama Branch	7-1-12, Bessho, Minami-ku, Saitama, Saitama 336-8799	048-864-7317
Central Branch	Yusen Building, 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8996	03-3284-9618
Nagano Branch	1085-4, Minami Agata-machi, Nagano, Nagano 380-8799	026-226-2550
Kanazawa Branch	1-1, Sanja-machi, Kanazawa, Ishikawa 920-8799	076-224-3844
Nagoya Branch	3-1-10, Otsu, Naka-ku, Nagoya, Aichi 460-8799	052-261-6728
Osaka Branch	Osaka Ekimae 1st Building 2F, 3-1, Umeda 1-chome, Kita-ku, Osaka, Osaka 530-0001	06-6347-8112
Hiroshima Branch	6-36, Moto-machi, Naka-ku, Hiroshima, Hiroshima 730-0011	082-222-1315
Matsuyama Branch	3-5-2, Sanban-cho, Matsuyama, Ehime 790-8799	089-941-0820
Kumamoto Branch	1-1, Joto-machi, Kumamoto, Kumamoto 860-0846	096-328-5163
Naha Branch	1-1-1, Kumoji, Naha, Okinawa 900-0015	098-867-8802



(As of March 31, 2010) (Branches/Post offices)

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Hokkaido	1	4	1,210	270	1,485
Aomori	—	2	265	94	361
Iwate	—	1	307	116	424
Miyagi	1	1	361	92	455
Akita	—	1	273	128	402
Yamagata	—	1	288	108	397
Fukushima	—	3	430	110	543
Ibaraki	—	3	462	53	518
Tochigi	—	2	309	43	354
Gunma	—	3	299	36	338
Saitama	1	16	606	16	639
Chiba	—	13	678	34	725
Kanagawa	—	31	723	13	767
Yamanashi	—	1	200	55	256
Tokyo	1	40	1,461	7	1,509
Niigata	—	3	534	133	670
Nagano	1	2	441	192	636
Toyama	—	2	210	76	288
Ishikawa	1	—	253	70	324
Fukui	—	1	209	31	241
Gifu	—	2	354	78	434
Shizuoka	—	5	478	69	552
Aichi	1	13	826	67	907
Mie	—	2	370	77	449
Shiga	—	1	228	30	259
Kyoto	—	4	439	34	477
Osaka	1	23	1,067	30	1,121
Hyogo	—	12	830	120	962
Nara	—	2	239	78	319
Wakayama	—	1	262	54	317
Tottori	—	1	146	94	241
Shimane	—	1	256	115	372
Okayama	—	2	420	101	523
Hiroshima	1	3	580	112	696
Yamaguchi	—	3	353	58	414
Tokushima	—	1	202	29	232
Kagawa	—	2	187	29	218
Ehime	1	1	314	74	390
Kochi	—	1	228	91	320
Fukuoka	—	4	710	92	806
Saga	—	1	165	38	204
Nagasaki	—	2	309	135	446
Kumamoto	1	1	389	176	567
Oita	—	2	306	91	399
Miyazaki	—	1	195	113	309
Kagoshima	—	1	437	279	717
Okinawa	1	—	181	20	202
Total	12	222	19,990	3,961	24,185

Note 1: The number of post offices refers to the number of sales offices and branches handling bank agency operations (including branches).

2: The number of contracted post offices refers to the number of sales offices or branches commissioned to handle bank agency operations by Japan Post Service Co., Ltd. on behalf of Japan Post Bank Co., Ltd.

3: The number of mobile post offices in Aichi and Tokushima prefectures is not included in the above totals.

## 9 Number of ATMs by Prefecture

(As of March 31, 2010)

Prefecture	Number of ATMs
Hokkaido	1,677
Aomori	314
Iwate	341
Miyagi	497
Akita	311
Yamagata	318
Fukushima	497
Ibaraki	561
Tochigi	369
Gunma	351
Saitama	896
Chiba	940
Kanagawa	1,135
Yamanashi	218
Tokyo	2,511
Niigata	645
Nagano	532
Toyama	251
Ishikawa	319
Fukui	240
Gifu	411
Shizuoka	579
Aichi	1,131
Mie	424

Prefecture	Number of ATMs
Shiga	284
Kyoto	564
Osaka	1,524
Hyogo	1,105
Nara	290
Wakayama	298
Tottori	165
Shimane	289
Okayama	506
Hiroshima	774
Yamaguchi	433
Tokushima	233
Kagawa	245
Ehime	403
Kochi	273
Fukuoka	980
Saga	211
Nagasaki	370
Kumamoto	467
Oita	342
Miyazaki	229
Kagoshima	489
Okinawa	249
Total	26,191

\*Number of ATMs of mobile post offices in Aichi and Tokushima prefectures not included.

## 10 Outline of Affiliated Company

(As of July 1, 2010)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Bank ownership	Ownership of voting shares
SDP Center Co., Ltd.	Chuo-ku, Tokyo	2,000	Bank agency operations	May 28, 1980	45.0%	45.0%

January 1875	Postal money order service established
May 1875	Postal savings service established
December 1885	Ministry of Communications established
March 1906	Postal <i>giro</i> service established
June 1949	The Ministry of Posts and Telecommunications established
January 2001	Postal Service Agency established as part of realignment of government ministries
April 2003	Japan Post established
September 2006	Yucho Co., Ltd. established as a preparation and planning company for Japan Post Bank Co., Ltd.
September 2007	Implementation plan approved for transfer of operations of Japan Post Agreement reached between Suruga Bank Ltd. and Japan Post Holdings for an operational alliance in the field of consumer lending
October 2007	Japan Post Group established
	Name changed to Japan Post Bank Co., Ltd., and operations started
	Campaign launched to commemorate privatization (featuring a lottery campaign and the elimination of fees for internal transfers of funds through Japan Post Bank ATMs)
December 2007	First preferential interest rate campaign launched
	Approval for new business obtained (liberalization of certain investment products)
January 2008	ATMs available during the first three days of the New Year for the first time
April 2008	New business activities approved: Issuance of credit cards, acting as agent for sale of individual variable annuities and offering intermediary services for mortgage loans and other loans
	Formed business alliance agreement with Suruga Bank for offering loans for individuals, centering on mortgage loans
May 2008	Issuance of JP BANK CARD (VISA, MasterCard) began
	Intermediary services for individual loans launched (50 branches)
	Agent sales of individual variable annuities began (82 branches)
October 2008	"Japan Post Bank Deposits for International Aid" scheme launched
	Expansion of the number of branches handling agent sales of individual variable annuities (from 82 to 164 branches)
January 2009	Transfer services with other financial institutions via the Zengin Data Telecommunication System started
	Issuance of JP BANK JCB card begun
February 2009	Expansion of the number of branches handling agent sales of individual variable annuities (from 164 to 233 branches)
March 2009	Issuance of additional types of postal orders newly started (¥150, ¥250, ¥350, ¥450, ¥750)
April 2009	Handling of <i>Yucho Nenkin Teiki</i> and <i>Yucho Tokimeki Kurabu</i> started
	Handling of <i>Yucho IC Cash Card Suica</i> started
May 2009	Additional service menu added for Yucho Direct (including <i>TEIGAKU</i> and time deposits that serve as collateral and transfers to other financial institutions)
	Minimum purchase for investment trust automatic-accumulation <i>TEIGAKU</i> deposits reduced (from ¥10,000 to ¥5,000)
January 2010	"Japan Post Bank Deposits for International Aid" scheme started through Yucho Direct
	International remittance service from Japan Post Bank accounts expanded
March 2010	Four new investment trust products are launch through <i>Toshin Direct</i>
April 2010	Automatic transfer service started
May 2010	The number of branches dealing with mortgage loans, etc., expanded (from 50 to 82 branches)

# 6. Outline of Japan Post Insurance Co., Ltd.

## 1 Company Outline

Company name (in Japanese) :	Kabushiki Kaisha Kanpo Seimei Hoken
Company name:	JAPAN POST INSURANCE Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥500 billion
Date of establishment:	September 1, 2006 (The name of the company was changed from Kanpo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)
Line of business:	Life insurance

## 2 Management Philosophy

### Management Philosophy

Moving forward with our customers while serving as "Japan's most familiar and trusted insurance company"

To translate this philosophy into specific activities, Japan Post Insurance makes the following promises to stakeholders.

#### Our promise to customers

We value every contact with customers. We will offer products and services that are easy to understand and use. We will supply accurate information so that customers can use these products and services with confidence.

#### Our promise to shareholders

We will aim to continuously enhance corporate value to fulfill our obligation to shareholders. We will use sound management systems backed by a suitable risk management framework. We will maintain strong lines of communication with shareholders and other investors.

#### Our promise to society

We will make compliance one of the most important elements of our business activities. We will actively contribute to public health. We will operate in a manner that is kind to people and eco-friendly.

#### Our promise to business partners

We will build mutually beneficial relationships based on close cooperation and extensive support. We will supply services and improve the quality of those services by working closely with our business partners. We will increase the value of our brand as a member of the Japan Post Group.

#### Our promise to employees

We will provide employees with a pleasant and rewarding workplace. We will respect each employee and provide equal opportunities to everyone. We will provide many forms of assistance for employees to upgrade their skills.

### 3 Information on Shares

#### 1. Number of Shares

Total shares issued	20,000,000
---------------------	------------

#### 2. Shareholder

Japan Post Holdings	Condition of holdings	
	Shares owned	Percentage of total issued
	20,000,000	100%

### 4 Number of Employees

6,293\* (as of March 31, 2010)

\* Number of regular employees. Includes employees seconded to Japan Post Insurance Co., Ltd. Excludes employees seconded to other companies and contract and temporary employees.

## 5

## List of Directors, Executive Officers and Management Committees

## 1. Directors

(As of July 1, 2010)

Director and Chairman, CEO.....	Josuke Shindo
Director and President, COO.....	Izumi Yamashita
Director (Outside) .....	Toshiaki Katsushima (Concurrently holds the position of Certified Public Accountant)
Director (Outside) .....	Hiroshi Koshida (Concurrently holds the position of Adviser to Daiwa Asset Management Co., Ltd.)
Director (Outside) .....	Jiro Saito (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside) .....	Masaharu Hino (Concurrently holds the position of Attorney-at-Law)

## 2. Executive Officers

Deputy President	Kazuo Miyazaki	Executive Officer	Kazuhide Kinugawa
Senior Managing Executive Officer	Hisamitsu Gannyo	Executive Officer	Masanori Sato
Senior Managing Executive Officer	Masaro Sugimoto	Executive Officer	Masahiko Sugimori
Senior Managing Executive Officer	Toshihisa Minakata	Executive Officer	Akihiro Takeuchi
(Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)		Executive Officer	Tomoaki Nara
Managing Executive Officer	Yukiharu Aoki	Executive Officer	Kiyotaka Fujimoto
Managing Executive Officer	Shoji Awakura	Executive Officer	Masatoki Hosonuma
Managing Executive Officer	Yoshifumi Ikeda	Executive Officer	Yoshito Horie
Managing Executive Officer	Masaaki Kamohara	Executive Officer	Masaaki Horigane

## 3. Nomination Committee

Chairman	Jiro Saito
Member	Josuke Shindo
Member	Izumi Yamashita
Member	Hiroshi Koshida
Member	Masaharu Hino

## 4. Audit Committee

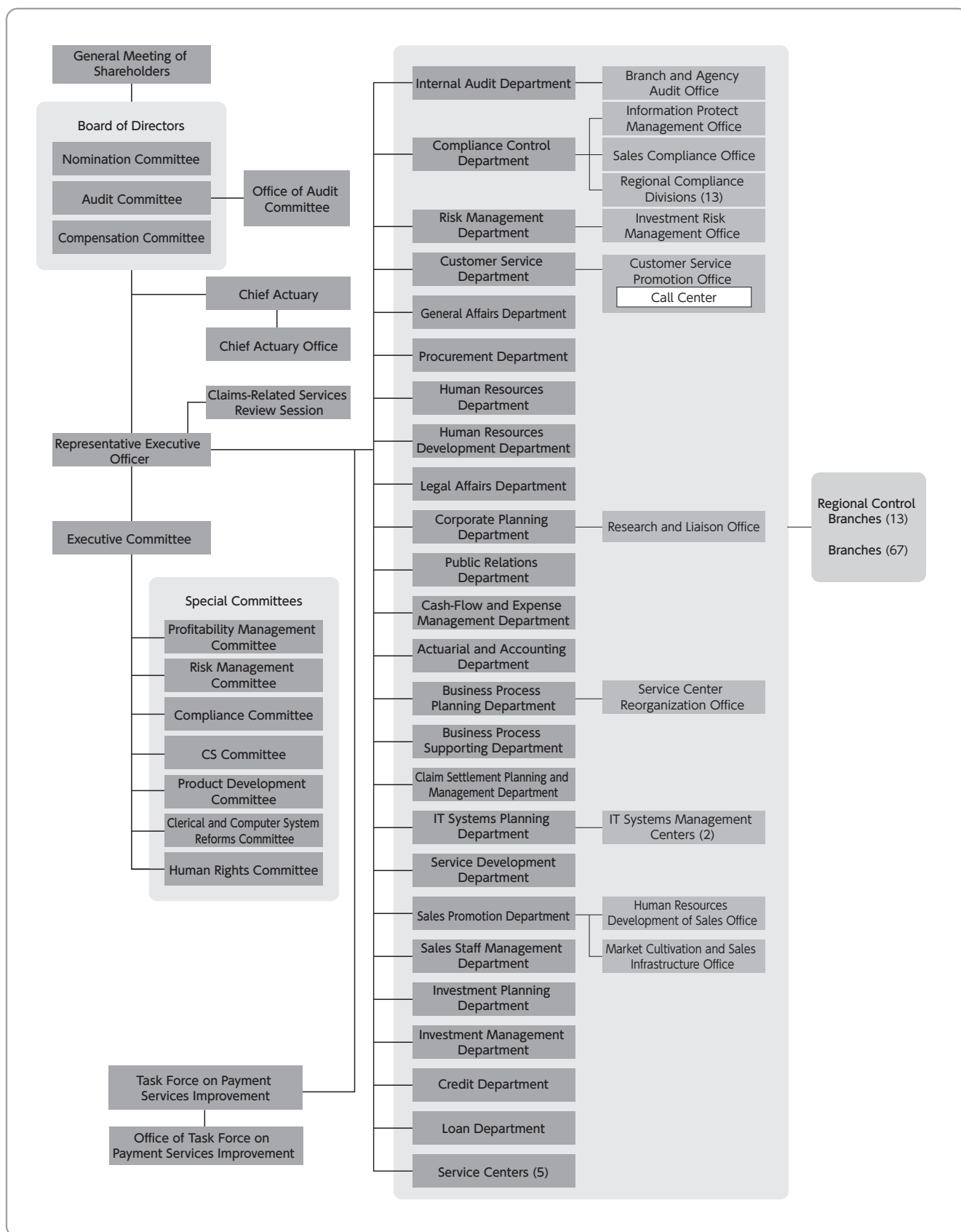
Chairman	Masaharu Hino
Member	Toshiaki Katsushima
Member	Hiroshi Koshida

## 5. Compensation Committee

Chairman	Jiro Saito
Member	Josuke Shindo
Member	Izumi Yamashita
Member	Toshiaki Katsushima
Member	Hiroshi Koshida

# 6 Organization Chart

(As of July 1, 2010)



Corporate Data

Financial Data

Other Data



## 7

## Principal Branches (Regional Control Offices)

(As of July 1, 2010)

Name of branch	Location	Telephone number
Sapporo	2-1, Odori Higashi, Chuo-ku, Sapporo, Hokkaido 060-0041	011-221-6375
Sendai	1-1-34, Ichibancho, Aoba-ku, Sendai, Miyagi 980-8797	022-267-7849
Saitama	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797	048-600-2066
Yokohama	5-3, Nihon Odori, Naka-ku, Yokohama, Kanagawa 231-8799	045-212-3928
Azabu	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8799	03-3583-9928
Nagano	801, Kurita, Nagano, Nagano 380-8797	026-231-2342
Kanazawa	1-1, Owari-cho 1-chome, Kanazawa, Ishikawa 920-8797	076-220-3171
Nagoya	2-5, Marunouchi 3-chome, Naka-ku, Nagoya, Aichi 469-8797	052-963-6351
Osaka	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797	06-6944-5765
Hiroshima	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797	082-224-5165
Matsuyama	8-5, Miyata-machi, Matsuyama, Ehime 790-8797	089-936-5612
Kumamoto	1-1, Joto-machi, Kumamoto, Kumamoto 860-8797	096-328-5343
Naha	3-3-8, Tsubogawa, Naha, Okinawa 900-8799	098-833-5516

Note: In addition to the above, there are 67 other branches.

October 1916	Postal life insurance services established
October 1926	Postal life annuity business established
June 1949	The Ministry of Posts and Telecommunications established
January 2001	Postal Service Agency established as part of realignment of government ministries
April 2003	Japan Post established
September 2006	Kanpo Co., Ltd. established
October 2007	Japan Post Group established
	Name changed to Japan Post Insurance Co., Ltd.
	Japan Post Insurance operations commenced
December 2007	Approval for new business obtained (liberalization of investment products)
February 2008	Partial alliance with Nippon Life Insurance Company concluded
April 2008	Expanded the scope of financial institutions that can use accounts for making payments for insurance premiums
	New business activities approved (commissioned sales of insurance products for companies, revision of hospitalization riders)
June 2008	Commissioned sales of insurance products for companies begun
July 2008	A new hospitalization rider, <i>Sono hi kara</i> , launched
	Offering of an option that allows a designated third party to request insurance benefits began
	Expanded subscription age limits for ordinary endowment insurance
October 2008	Coverage of the amount equivalent to the cost of acquiring medical certificates started
April 2009	Transfers of various payments including insurance premiums via the introduction of mobile settlement terminals commenced
	Scope of coverage of the amount equivalent to the cost of acquiring medical certificates expanded
July 2009	Branch offices established in all prefectures in line with the establishment of the Nara Branch and Wakayama Branch



# 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
<b>Consolidated ordinary income</b>	10,097,968	19,961,705	18,773,630
<b>Consolidated net ordinary income</b>	438,739	830,565	1,007,260
<b>Consolidated net income</b>	277,290	422,793	450,220
<b>Consolidated net assets</b>	8,311,433	8,746,172	9,625,962
<b>Consolidated total assets</b>	327,588,290	305,894,430	298,571,321
<b>Consolidated capital adequacy ratio (domestic standard)</b>	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
<b>Operating income</b>	132,904	303,099	317,087
<b>Net operating income</b>	34,369	107,173	144,339
<b>Net ordinary income</b>	37,824	109,919	147,179
<b>Net income</b>	42,598	109,026	145,389
<b>Net assets</b>	8,046,551	8,147,114	8,265,323
<b>Total assets</b>	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
<b>Operating income</b>	615,880	1,293,229	1,263,975
<b>Net operating income</b>	7,517	68,375	52,173
<b>Net ordinary income</b>	18,535	83,880	62,439
<b>Net income</b>	4,678	40,843	32,981
<b>Net assets</b>	204,678	244,352	267,122
<b>Total assets</b>	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
<b>Operating income</b>	1,053,676	1,865,282	1,813,048
<b>Net operating income</b>	103,773	44,888	42,779
<b>Net ordinary income</b>	113,763	58,974	56,997
<b>Net income</b>	69,487	29,812	(47,493)
<b>Net assets</b>	269,487	281,928	226,981
<b>Total assets</b>	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
<b>Ordinary income (Revenues)</b>	1,328,904	2,488,552	2,207,942
<b>Net ordinary income</b>	256,171	385,243	494,252
<b>Net income</b>	152,180	229,363	296,758
<b>Net assets</b>	8,076,855	8,179,574	8,839,547
<b>Total assets</b>	212,149,182	196,480,796	194,678,352
<b>Capital adequacy ratio (domestic standard)</b>	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
<b>Ordinary income</b>	7,686,842	15,533,727	14,591,640
<b>Net ordinary income</b>	11,991	214,285	379,623
<b>Net income</b>	7,686	38,316	70,126
<b>Net assets</b>	904,250	1,072,756	1,169,366
<b>Total assets</b>	112,524,670	106,577,963	100,969,782
<b>Solvency margin ratio</b>	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)	Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
<b>Assets</b>			<b>Liabilities</b>		
Cash and due from banks	¥ 9,522,062	¥ 8,012,842	Deposits	¥ 176,416,748	¥ 174,787,787
Call loans	511,442	615,538	Policy reserves	102,727,247	97,226,858
Receivables under securities borrowing transactions	1,759,763	3,295,301	Reserve for outstanding claims	1,165,595	1,131,793
Monetary claims bought	70,937	132,141	Policy reserve	98,801,221	93,417,099
Trading account securities	159	196	Reserve for policyholders' dividends	2,760,430	2,677,965
Money held in trust	1,633,866	1,190,393	Payables under securities lending transactions	2,126,106	7,265,185
Securities	257,087,635	258,834,902	Borrowed money	8,719,130	2,001,240
Loans	22,376,512	20,283,133	Foreign exchanges	102	116
Foreign exchanges	9,872	5,860	Other liabilities	2,901,860	3,368,642
Deposits to the Fiscal Loan Fund	8,700,000	2,000,000	Reserve for employees' bonuses	123,436	124,092
Other assets	831,591	965,960	Reserve for employees' retirement benefits	3,663,646	3,581,310
Tangible fixed assets	2,910,307	2,812,014	Reserve for directors' retirement benefits	436	581
Buildings	1,192,149	1,132,531	Reserve under the special laws	446,581	421,408
Land	1,457,815	1,464,149	Reserve for price fluctuations in security investments	446,581	421,408
Construction in progress	4,456	13,491	Deferred tax liabilities	21,083	167,638
Other tangible fixed assets	255,886	201,842	Negative goodwill	1,877	497
Intangible fixed assets	160,084	219,478	<b>Total Liabilities</b>	<b>¥ 297,148,258</b>	<b>¥ 288,945,358</b>
Software	157,467	201,993	<b>Net Assets</b>		
Goodwill	4	17	Capital stock	¥ 3,500,000	¥ 3,500,000
Other intangible fixed assets	2,612	17,467	Capital surplus	4,503,856	4,503,856
Deferred tax assets	320,280	193,631	Retained earnings	751,066	1,159,491
Allowance for doubtful accounts	(4,481)	(5,580)	Total shareholders' equity	8,754,922	9,163,347
Contribution to society and community funds assets	4,395	15,504	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
			<b>Total Net Assets</b>	<b>¥ 8,746,172</b>	<b>¥ 9,625,962</b>
<b>Total Assets</b>	<b>¥ 305,894,430</b>	<b>¥ 298,571,321</b>	<b>Total Liabilities and Net Assets</b>	<b>¥ 305,894,430</b>	<b>¥ 298,571,321</b>



## 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)
<b>Ordinary income</b>	<b>¥ 19,961,705</b>	<b>¥ 18,773,630</b>
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
<b>Ordinary expenses</b>	<b>19,131,180</b>	<b>17,766,488</b>
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
<b>Contribution to society and community funds investment income (expenses)</b>	<b>40</b>	<b>117</b>
Contribution to society and community funds investment income	40	118
Contribution to society and community funds investment expenses	0	0
<b>Net ordinary income</b>	<b>830,565</b>	<b>1,007,260</b>
<b>Extraordinary gains</b>	<b>125,224</b>	<b>28,445</b>
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
<b>Extraordinary losses</b>	<b>20,798</b>	<b>13,212</b>
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
<b>Provision for reserve for policyholders' dividends</b>	<b>275,913</b>	<b>294,394</b>
<b>Net income before income taxes and minority interests</b>	<b>659,077</b>	<b>728,098</b>
Income taxes current	277,359	325,310
Income taxes deferred	(41,130)	(35,825)
<b>Total income taxes</b>	<b>236,229</b>	<b>289,484</b>
<b>Minority interests (losses)</b>	<b>54</b>	<b>(11,607)</b>
<b>Net income</b>	<b>¥ 422,793</b>	<b>¥ 450,220</b>

## 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)		2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
<b>Shareholders' equity</b>			<b>Valuation and translation adjustments</b>		
Capital stock			Net unrealized gains (losses) on available-for-sale securities		
Balance at the end of the previous fiscal year	¥ 3,500,000	¥ 3,500,000	Balance at the end of the previous fiscal year	¥ (49,658)	¥ (11,954)
Balance at the end of the current fiscal year	¥ 3,500,000	¥ 3,500,000	Changes during the period		
Capital surplus			Net changes other than shareholders' equity	37,704	435,560
Balance at the end of the previous fiscal year	¥ 4,503,856	¥ 4,503,856	Total changes during the period	37,704	435,560
Balance at the end of the current fiscal year	¥ 4,503,856	¥ 4,503,856	Balance at the end of the current fiscal year	¥ (11,954)	¥ 423,606
Retained earnings			Deferred gains (losses) on derivatives under hedge accounting		
Balance at the end of the previous fiscal year	¥ 347,695	¥ 751,066	Balance at the end of the previous fiscal year	¥ -	¥ (12,974)
Changes during the period			Changes during the period		
Cash dividends	(8,520)	(27,256)	Net changes other than shareholders' equity	(12,974)	21,044
Net income for the period	422,793	450,220	Total changes during the period	(12,974)	21,044
Contribution to society and community funds	(10,902)	(14,538)	Balance at the end of the current fiscal year	¥ (12,974)	¥ 8,069
Total changes during the period	403,370	408,425	Total valuation and translation adjustments		
Balance at the end of the current fiscal year	¥ 751,066	¥ 1,159,491	Balance at the end of the previous fiscal year	¥ (49,658)	¥ (24,928)
Total shareholders' equity			Changes during the period		
Balance at the end of the previous fiscal year	¥ 8,351,551	¥ 8,754,922	Net changes other than shareholders' equity	24,729	456,605
Changes during the period			Total changes during the period	24,729	456,605
Cash dividends	(8,520)	(27,256)	Balance at the end of the current fiscal year	¥ (24,928)	¥ 431,676
Net income for the period	422,793	450,220	<b>Minority interests</b>		
Contribution to society and community funds	(10,902)	(14,538)	Balance at the end of the previous fiscal year	¥ 5,280	¥ 959
Total changes during the period	403,370	408,425	Changes during the period		
Balance at the end of the current fiscal year	¥ 8,754,922	¥ 9,163,347	Net changes other than shareholders' equity	(4,321)	144
<b>Contribution to society and community funds</b>			Total changes during the period	(4,321)	144
Balance at the end of the previous fiscal year	¥ 4,259	¥ 15,162	Balance at the end of the current fiscal year	¥ 959	¥ 1,104
Changes during the period			<b>Total net assets</b>		
Net changes other than shareholders' equity	10,902	14,538	Balance at the end of the previous fiscal year	¥ 8,311,433	¥ 8,746,172
Total changes during the period	10,902	14,538	Changes during the period		
Balance at the end of the current fiscal year	¥ 15,162	¥ 29,701	Cash dividends	(8,520)	(27,256)
<b>Valuation and translation adjustments of contribution to society and community funds</b>			Net income for the period	422,793	450,220
Balance at the end of the previous fiscal year	¥ -	¥ 56	Contribution to society and community funds	(10,902)	(14,538)
Changes during the period			Net changes other than shareholders' equity	31,367	471,365
Net changes other than shareholders' equity	56	76	Total changes during the period	434,738	879,790
Total changes during the period	56	76	Balance at the end of the current fiscal year	¥ 8,746,172	¥ 9,625,962
Balance at the end of the current fiscal year	¥ 56	¥ 132			

## 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)		2009 (From April 1, 2008 to March 31, 2009)	2010 (From April 1, 2009 to March 31, 2010)
<b>Cash flows from operating activities:</b>			<b>Cash flows from investing activities:</b>		
Net income before income taxes and minority interests	¥ 659,077	¥ 728,098	Payments for purchase of call loans	(34,180,058)	(30,031,989)
Depreciation	212,164	219,298	Proceeds from redemption of call loans	34,508,486	30,138,358
Impairment loss	2,655	6,343	Payments for purchase of monetary claims bought	(34,588)	(3,500)
Increase (decrease) in reserve for outstanding claims	277,421	(33,801)	Proceeds from sales and redemption of monetary claims bought	89,970	–
Increase (decrease) in policy reserve	(5,934,141)	(5,384,121)	Net increase (decrease) in receivables under securities borrowing transactions and payables under securities lending transactions	105,671	(57,869)
Interest on reserve for policyholders' dividends	25,357	21,483	Payments for purchase of securities	(83,218,490)	(82,058,520)
Provision for reserve for policyholders' dividends	275,913	294,394	Proceeds from sales of securities	16,535,645	12,029,991
Amortization of goodwill including impairment	809	25	Proceeds from redemption of securities	67,780,540	68,731,420
Amortization of negative goodwill	(18,190)	(1,645)	Payments for increase in money held in trust	(1,034,037)	(60,902)
Equity in (earnings) losses of affiliates	714	(17)	Proceeds from decrease in money held in trust	1,380,895	816,726
Increase (decrease) in allowance for doubtful accounts	(594)	1,098	Payments for loans	(2,971,384)	(2,668,856)
Increase (decrease) in reserve for employees' bonuses	(890)	549	Proceeds from collection of loans	4,547,466	4,750,081
Increase (decrease) in reserve for employees' retirement benefits	(103,540)	(82,336)	Payments for purchase of tangible fixed assets	(115,485)	(57,894)
Increase (decrease) in reserve for directors' retirement benefits	(41)	145	Proceeds from sales of tangible fixed assets	6,366	903
Increase (decrease) in reserve for price fluctuations in security investments	(112,420)	(25,173)	Payments for purchase of intangible fixed assets	(52,740)	(104,781)
Interest and dividend income—accrual basis	(1,649,925)	(1,617,928)	Payments for share acquisition from minority shareholders	(1,718)	(4,570)
Interest expenses—accrual basis	6,407	3,121	Payments for share acquisition of affiliated companies	(1,200)	–
Interests and dividend income	(2,309,794)	(2,066,085)	Proceeds from purchase of shares accompanied by change of scope of consolidation	154	5,844
Interest expenses	657,022	447,718	Others	(62,276)	166,930
Losses (gains) related to securities	99,211	4,965	<b>Net cash provided by investing activities</b>	<b>3,283,214</b>	<b>1,591,371</b>
Losses (gains) on money held in trust	396,979	(41,177)	<b>Cash flows from financing activities:</b>		
Losses (gains) on foreign exchanges of fixed assets	6,740	4,377	Proceeds from borrowings	16,140	2,045
Net (increase) decrease in loans and bills discounted	(282,128)	8,521	Repayments of borrowings	(19,350)	(23,314)
Net increase (decrease) in deposits	(4,326,618)	(1,628,960)	Dividends paid	(8,520)	(27,256)
Proceeds from redemption of deposits to the fiscal loan fund	12,000,000	6,700,000	Cash dividends to minority shareholders	(8)	–
Net increase (decrease) in borrowed money	(12,000,000)	(6,700,000)	Proceeds from stock issuance to minority shareholders	–	121
Net (increase) decrease in negotiable certificates of deposit	514,000	2,220,000	Others	(1,694)	(1,360)
Net (increase) decrease in call loans	3,708,044	(267,331)	<b>Net cash used in financing activities</b>	<b>(13,432)</b>	<b>(49,765)</b>
Net (increase) decrease in receivables under securities borrowing transactions	(725,786)	(1,769,836)	<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>575</b>	<b>462</b>
Net increase (decrease) in payables under securities lending transactions	804,770	5,431,246	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,262,381)</b>	<b>759,480</b>
Net (increase) decrease in foreign exchange assets	3,581	4,011	<b>Cash and cash equivalents at beginning of year</b>	<b>8,660,443</b>	<b>6,398,062</b>
Net increase (decrease) in foreign exchange liabilities	(225)	14	<b>Cash and cash equivalents at end of year</b>	<b>¥ 6,398,062</b>	<b>¥ 7,157,542</b>
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)			
<b>Net cash used in operating activities</b>	<b>(5,532,739)</b>	<b>(782,587)</b>			

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 affil-

ates 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 provided 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).



## 1. Notes to Consolidated Balance Sheets

- Securities include ¥950 million in shares of non-consolidated subsidiaries and affiliates.
- 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.
- 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).
- Accumulated depreciation of tangible fixed assets: ¥463,864 million
- 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
- 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.
- 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

- 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	

- 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

- 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
- 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

- 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
<b>Total</b>	<b>141,113</b>

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	-	-	-	-	-
<b>Total</b>	<b>58,040,575</b>	<b>69,695,233</b>	<b>52,169,247</b>	<b>44,784,034</b>	<b>39,998,821</b>	<b>25,795,681</b>

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	-	-	-	-
<b>Total</b>	<b>102,533,244</b>	<b>13,432,984</b>	<b>7,747,545</b>	<b>13,491,067</b>	<b>46,849,371</b>	-

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
	<b>Subtotal</b>	<b>159,634,077</b>	<b>163,719,750</b>	<b>4,085,673</b>
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	-	-	-
	<b>Subtotal</b>	<b>5,887,314</b>	<b>5,831,548</b>	<b>(55,766)</b>
<b>Total</b>		<b>165,521,391</b>	<b>169,551,298</b>	<b>4,029,907</b>

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	-	-	-
	<b>Subtotal</b>	<b>32,439,225</b>	<b>33,427,210</b>	<b>987,984</b>
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	-	-	-
	<b>Subtotal</b>	<b>3,829,392</b>	<b>3,737,247</b>	<b>(92,144)</b>
<b>Total</b>		<b>36,268,618</b>	<b>37,164,458</b>	<b>895,839</b>

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
		<b>Subtotal</b>	<b>43,245,571</b>	<b>42,584,867</b>

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.

Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—

## 11. Risk-Monitored Loans

	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
Bankrupt 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)	–	–	
<b>Total core capital (Tier I) (A)</b>	<b>8,662,471</b>	<b>9,001,398</b>	
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	–	–
	<b>Total supplementary capital, Tier II capital (B)</b>	<b>2,239</b>	<b>1,829</b>
Sub-supplementary capital (Tier 3)	Short-term subordinated debt	–	–
	<b>Total sub-supplementary capital, Tier III capital (C)</b>	<b>–</b>	<b>–</b>
Deduction item	<b>Total of deduction items (D) (Note 4)</b>	<b>1,000,169</b>	<b>1,000,169</b>
<b>(Total) qualifying capital</b>	<b>(Total) qualifying capital (A+B+C-D)(E)</b>	<b>7,664,542</b>	<b>8,003,059</b>
<b>(Total) risk-adjusted assets</b>	<b>Assets (on-balance-sheet items)</b>	<b>7,067,982</b>	<b>7,458,110</b>
	<b>Off-balance-sheet transactions, etc.</b>	<b>73,249</b>	<b>20,987</b>
	<b>Amount of market risk equivalent, divided by 8%</b>	<b>–</b>	<b>–</b>
	<b>Amount of operational risk equivalent, divided by 8%</b>	<b>4,193,000</b>	<b>3,990,922</b>
	<b>(Total) risk-adjusted assets (F)</b>	<b>11,334,231</b>	<b>11,470,020</b>
<b>Consolidated capital ratio (domestic standard) (E/F) x 100 (%)</b>		<b>67.62%</b>	<b>69.77%</b>
<b>Tier 1 ratio (A/F) x 100 (%)</b>		<b>76.42%</b>	<b>78.47%</b>

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	–	–
<b>Total</b>	<b>282,719</b>	<b>298,324</b>

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 (1) Foreign exchange related transactions (2) Interest rate related transactions (3) Gold-related transactions (4) Equity security related transactions (5) Precious metal related transactions (excluding gold) (6) Other commodity-related transactions (7) Credit derivative transactions (counterparty risk) Write-off of credit equivalent amount under close-out netting agreement (deduction)	155	717
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	–	–
<b>Total</b>	<b>2,929</b>	<b>839</b>

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
<b>Total</b>	<b>167,720</b>	<b>159,636</b>

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%
<b>Total amount of consolidated required capital</b>	<b>453,369</b>	<b>458,800</b>
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
	<b>Domestic total</b>	<b>106,463,693</b>	<b>173,301,146</b>	<b>16,188</b>	<b>3,587,058</b>	<b>283,368,087</b>
Overseas total		—	—	—	—	—
<b>Total</b>		<b>106,463,693</b>	<b>173,301,146</b>	<b>16,188</b>	<b>3,587,058</b>	<b>283,368,087</b>

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
	<b>Domestic total</b>	<b>86,987,650</b>	<b>176,849,981</b>	<b>72,093</b>	<b>4,447,426</b>	<b>268,357,153</b>
Overseas total		—	—	—	—	—
<b>Total</b>		<b>86,987,650</b>	<b>176,849,981</b>	<b>72,093</b>	<b>4,447,426</b>	<b>268,357,153</b>

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
<b>Total</b>	<b>106,463,693</b>	<b>173,301,146</b>	<b>16,188</b>	<b>3,587,058</b>	<b>283,368,087</b>

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
<b>Total</b>	<b>86,987,650</b>	<b>176,849,981</b>	<b>72,093</b>	<b>4,447,426</b>	<b>268,357,153</b>

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
	Small and medium-sized enterprises and individuals	–	–	–	85	85	–	–	–	96
	Others (excluding the above)	–	–	–	2,351	2,351	–	–	–	2,915
	<b>Domestic total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,440</b>	<b>2,440</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,012</b>
<b>Overseas total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,440</b>	<b>2,440</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,012</b>	<b>3,012</b>

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.

(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

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)	–	–

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	–	–	–	–
<b>Total</b>	<b>184,629,876</b>	<b>98,738,210</b>	<b>181,956,658</b>	<b>86,400,494</b>

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%
<b>Total</b>	<b>84,488,155</b>	<b>100.00%</b>	<b>76,728,677</b>	<b>100.00%</b>

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
<b>Interest rate related transactions</b>						
Interest rate swaps	303	4,335	4,638	12,337	22,062	34,399
<b>Currency-related transactions</b>						
Forward foreign exchange contracts	23	11,526	11,549	5,200	32,494	37,694
<b>Long-term settlements</b>						
Long-term settlements	0	–	0	–	–	–
<b>Total</b>	<b>327</b>	<b>15,861</b>	<b>16,189</b>	<b>17,537</b>	<b>54,556</b>	<b>72,093</b>

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
<b>Total</b>	<b>206,184</b>	<b>288,819</b>

### (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	—	—	—	—
<b>Total</b>	<b>206,184</b>	<b>1,362</b>	<b>288,819</b>	<b>1,917</b>

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	—
<b>Total</b>	<b>67,379</b>	<b>—</b>	<b>162,605</b>	<b>—</b>

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)
<b>Gain (Loss)</b>	—	—
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)
<b>Amounts of valuation gains and losses recognized on Consolidated Balance Sheet not recognized on the Consolidated Statements of Income</b>	(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)
<b>Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income</b>	—	—

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
<b>Losses in economic value</b>	<b>1,808.3</b>	<b>2,022.7</b>

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)	Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
<b>Assets</b>			<b>Liabilities</b>		
Current assets (excluding contribution to society and community funds assets)			Current liabilities		
Cash and deposits	¥ 13,935	¥ 46,066	Accounts payable	¥ 31,370	¥ 15,311
Accounts receivable	101,253	162,423	Income taxes payable	68,334	131,610
Securities	—	8,400	Consumption taxes payable	823	1,528
Inventories	1,014	1,239	Accrued expenses	1,332	3,149
Short-term loan	110	110	Reserve for employees' bonuses	2,290	2,299
Prepaid expenses	62	86	Others	599	793
Others	147	533	<b>Total current liabilities</b>	<b>104,750</b>	<b>154,693</b>
Allowance for doubtful accounts	(29)	(25)	Long-term liabilities		
<b>Total current assets</b>	<b>116,493</b>	<b>218,834</b>	Reserve for employees' retirement benefits	1,238,286	1,165,196
Non-current assets (excluding contribution to society and community funds assets)			Reserve for directors' retirement benefits	73	69
Tangible fixed assets			Reserve for compensation for accidents in the course of duty	27,586	26,460
Buildings: net	43,377	41,375	Deferred tax liabilities	6,208	12,176
Structures: net	791	737	Others	1,240	1,584
Machinery: net	559	681	<b>Total long-term liabilities</b>	<b>1,273,394</b>	<b>1,205,487</b>
Vehicles: net	128	79	<b>Total Liabilities</b>	<b>¥ 1,378,144</b>	<b>¥ 1,360,180</b>
Tools and fixtures: net	40,148	31,614	<b>Net Assets</b>		
Land	94,465	93,685	Shareholders' equity		
Construction in progress	308	145	Capital stock	¥ 3,500,000	¥ 3,500,000
<b>Total tangible fixed assets</b>	<b>179,779</b>	<b>168,320</b>	Capital surplus		
Intangible fixed assets			Capital reserve	4,503,856	4,503,856
Software	28,366	25,659	<b>Total capital surplus</b>	<b>4,503,856</b>	<b>4,503,856</b>
Others	1,204	1,972	Retained earnings		
<b>Total intangible fixed assets</b>	<b>29,571</b>	<b>27,631</b>	Other retained earnings		
Investments and other assets			Unappropriated retained earnings	128,039	231,633
Stock of related parties	9,194,774	9,194,874	<b>Total retained earnings</b>	<b>128,039</b>	<b>231,633</b>
Long-term prepaid expenses	122	228	<b>Total shareholders' equity</b>	<b>8,131,895</b>	<b>8,235,489</b>
Claims in bankruptcy	82	86	Contribution to society and community funds	15,162	29,701
Others	121	110	Valuation and translation adjustments of contribution to society and community funds	56	132
Allowance for doubtful accounts	(82)	(86)	<b>Total Net Assets</b>	<b>¥ 8,147,114</b>	<b>¥ 8,265,323</b>
<b>Total investments and other assets</b>	<b>9,195,019</b>	<b>9,195,214</b>			
<b>Total non-current assets</b>	<b>9,404,370</b>	<b>9,391,165</b>	<b>Total Liabilities and Net Assets</b>	<b>¥ 9,525,259</b>	<b>¥ 9,625,504</b>
Contribution to society and community funds assets					
Money held in trust	4,395	15,504			
<b>Total contribution to society and community funds assets</b>	<b>4,395</b>	<b>15,504</b>			
<b>Total Assets</b>	<b>¥ 9,525,259</b>	<b>¥ 9,625,504</b>			

## 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)
<b>Operating income</b>		
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
<b>Total operating income</b>	<b>303,099</b>	<b>317,087</b>
<b>Operating expenses</b>		
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
<b>Total operating expenses</b>	<b>195,925</b>	<b>172,747</b>
<b>Net operating income</b>	<b>107,173</b>	<b>144,339</b>
<b>Other income</b>		
Rents received	3,143	3,157
Others	914	857
<b>Total other income</b>	<b>4,058</b>	<b>4,015</b>
<b>Other expenses</b>		
Interest expenses	134	17
Lease cost	961	897
Others	255	378
<b>Total other expenses</b>	<b>1,352</b>	<b>1,293</b>
<b>Income (expenses) from contribution to society and community fund assets</b>		
Income from contribution to society and community fund assets	40	118
Expenses for contribution to society and community fund assets	0	0
<b>Total income from contribution to society and community fund assets</b>	<b>40</b>	<b>117</b>
<b>Net ordinary income</b>	<b>109,919</b>	<b>147,179</b>
<b>Extraordinary gains</b>		
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
<b>Total extraordinary gains</b>	<b>3,954</b>	<b>366</b>
<b>Extraordinary losses</b>		
Losses on disposal of fixed assets	3,988	154
Impairment losses	2,358	2,879
Other extraordinary losses	590	248
<b>Total extraordinary losses</b>	<b>6,937</b>	<b>3,281</b>
<b>Net income before income taxes</b>	<b>106,936</b>	<b>144,263</b>
Income taxes current	(6,525)	(7,041)
Income taxes deferred	4,436	5,915
<b>Total income taxes</b>	<b>(2,089)</b>	<b>(1,125)</b>
<b>Net income</b>	<b>¥ 109,026</b>	<b>¥ 145,389</b>

## 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)
<b>Shareholders' equity</b>		
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
<b>Contribution to society and community funds</b>		
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)
<b>Valuation and translation adjustments of contribution to society and community funds</b>		
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
<b>Total net assets</b>		
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



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)	Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	¥ 1,888,026	¥ 1,915,747	Accounts payable-trade	¥ 4,791	¥ 5,404
Accounts receivable-trade	109,276	111,600	Long-term debt due within a year	—	71
Securities	96,000	88,300	Accounts payable	123,520	124,899
Real estate for sale in progress	1,576	1,581	Postal service business consignment payable	16,072	13,450
Merchandise	19	25	Banking business consignment payable	38,443	24,387
Supplies	1,251	1,770	Accrued expenses	23,591	21,444
Prepaid expenses	453	497	Income taxes payable	11,326	6,472
Accounts receivable	6,689	5,215	Consumption taxes payable	10,129	6,228
Insurance business consignment receivable	76,522	49,434	Deposits received	4,246	4,180
Others	28,094	26,079	Fund deposits for post offices	1,550,000	1,540,000
Allowance for doubtful accounts	(32)	(16)	Reserve for employees' bonuses	55,929	55,492
Total current assets	2,207,877	2,200,235	Reserve for loss on rebuilding of branches	—	237
Non-current assets			Others	1,301	1,464
Tangible fixed assets			Total current liabilities	1,839,354	1,803,732
Buildings: net	363,529	346,953	Long-term liabilities		
Structures: net	16,169	14,948	Long-term debt	142	—
Machinery: net	259	212	Reserve for employees' retirement benefits	1,161,975	1,162,280
Automobiles and other vehicles: net	860	1,324	Reserve for directors' retirement benefits	72	83
Tools and fixtures: net	27,998	22,590	Reserve for loss on rebuilding of branches	4,127	2,533
Land	615,725	613,862	Negative goodwill	696	497
Construction in progress	2,764	12,428	Others	5,827	16,068
Total tangible fixed assets	1,027,306	1,012,320	Total long-term liabilities	1,172,841	1,181,463
Intangible fixed assets			<b>Total Liabilities</b>	<b>¥ 3,012,195</b>	<b>¥ 2,985,196</b>
Leaseholds	1,667	1,668	<b>Net Assets</b>		
Air rights	—	14,077	Shareholders' equity		
Telephone rights	159	159	Capital stock	¥ 100,000	¥ 100,000
Software	3,558	5,190	Capital surplus		
Others	219	1,790	Capital reserve	100,000	100,000
Total intangible fixed assets	5,605	22,885	Total capital surplus	100,000	100,000
Investments and other assets			Retained earnings		
Investment securities	14,450	14,512	Other retained earnings		
Stock of related parties	200	200	Unappropriated retained earnings	44,352	67,122
Others	1,520	3,503	Total retained earnings	44,352	67,122
Allowance for doubtful accounts	(413)	(1,339)	Total shareholders' equity	244,352	267,122
Total investments and other assets	15,758	16,876	<b>Total Net Assets</b>	<b>¥ 244,352</b>	<b>¥ 267,122</b>
Total non-current assets	1,048,670	1,052,082	<b>Total Liabilities and Net Assets</b>	<b>¥ 3,256,547</b>	<b>¥ 3,252,318</b>
<b>Total Assets</b>	<b>¥ 3,256,547</b>	<b>¥ 3,252,318</b>			

## 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)
<b>Operating income</b>		
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
<b>Total operating income</b>	<b>1,293,229</b>	<b>1,263,975</b>
Operating expenses	1,112,405	1,094,988
<b>Gross operating income</b>	<b>180,823</b>	<b>168,986</b>
Sales, general and administrative cost	112,448	116,813
<b>Net operating income</b>	<b>68,375</b>	<b>52,173</b>
<b>Other income</b>		
Rents received	25,834	24,863
Others	7,125	4,934
<b>Total other income</b>	<b>32,960</b>	<b>29,798</b>
<b>Other expenses</b>		
Lease cost	15,884	16,910
Others	1,570	2,621
<b>Total other expenses</b>	<b>17,455</b>	<b>19,532</b>
<b>Net ordinary income</b>	<b>83,880</b>	<b>62,439</b>
<b>Extraordinary gains</b>		
Gain on sales of fixed assets	1,136	139
Compensation for transfer	420	909
Others	24	80
<b>Total extraordinary gains</b>	<b>1,581</b>	<b>1,129</b>
<b>Extraordinary losses</b>		
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
<b>Total extraordinary losses</b>	<b>4,646</b>	<b>2,833</b>
<b>Net income before income taxes</b>	<b>80,815</b>	<b>60,735</b>
Income taxes current	34,283	27,754
Income taxes for prior periods	5,688	—
<b>Total income taxes</b>	<b>39,971</b>	<b>27,754</b>
<b>Net income</b>	<b>¥ 40,843</b>	<b>¥ 32,981</b>

## 3

## Statements of Changes in Net Assets

(Millions of yen)

	<b>2009</b> (From April 1, 2008 to March 31, 2009)	<b>2010</b> (From April 1, 2009 to March 31, 2010)
<b>Shareholders' equity</b>		
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)

	<b>2009</b> (From April 1, 2008 to March 31, 2009)	<b>2010</b> (From April 1, 2009 to March 31, 2010)
<b>Operating expenses</b>		
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
<b>Total operating expenses</b>	<b>¥ 1,112,405</b>	<b>¥ 1,094,988</b>
<b>Sales, general and administrative costs</b>		
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
<b>Total sales, general and administrative costs</b>	<b>¥ 112,448</b>	<b>¥ 116,813</b>

# 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)	Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	¥ 393,491	¥ 316,337	Accounts payable-trade	¥ 51,495	¥ 51,046
Accounts receivable-trade	132,129	135,789	Accounts payable	139,890	134,941
Securities	80,000	120,000	Accrued expenses	8,802	12,042
Merchandise	2,574	3,724	Income taxes payable	—	7,522
Supplies	3,373	2,030	Advance postal fees received	39,774	40,559
Prepaid expenses	1,175	1,091	Deposits received	399,586	372,500
Short-term loan	—	33,000	Reserve for employees' bonuses	54,087	53,241
Income taxes receivable	3,653	—	Others	963	1,299
Other current assets	11,812	6,752	<b>Total current liabilities</b>	<b>694,600</b>	<b>673,154</b>
Allowance for doubtful accounts	(188)	(41,076)	Long-term liabilities		
<b>Total current assets</b>	<b>628,022</b>	<b>577,649</b>	Reserve for employees' retirement benefits	1,068,797	1,057,089
Non-current assets			Reserve for directors' retirement benefits	62	83
Tangible fixed assets			Reserve for refund for Fumi Cards	510	170
Automobiles and other vehicles: net	1,557	4,718	Others	4,251	5,961
Buildings: net	664,450	624,953	<b>Total long-term liabilities</b>	<b>1,073,622</b>	<b>1,063,304</b>
Structures: net	14,522	13,141	<b>Total Liabilities</b>	<b>¥ 1,768,223</b>	<b>¥ 1,736,458</b>
Machinery: net	25,771	22,499	<b>Net Assets</b>		
Tools and fixtures: net	18,569	12,669	Shareholders' equity		
Land	634,083	634,062	Capital stock	¥ 100,000	¥ 100,000
Leased assets: net	—	43	Capital surplus		
Construction in progress	398	681	Capital reserve	100,000	100,000
<b>Total tangible fixed assets</b>	<b>1,359,352</b>	<b>1,312,770</b>	<b>Total capital surplus</b>	<b>100,000</b>	<b>100,000</b>
Intangible fixed assets			Retained earnings		
Software	20,114	19,808	Other retained earnings	81,928	26,981
Other intangible fixed assets	1,980	10,148	Unappropriated retained earnings	81,928	26,981
<b>Total intangible fixed assets</b>	<b>22,094</b>	<b>29,956</b>	<b>Total retained earnings</b>	<b>81,928</b>	<b>26,981</b>
Investments and other assets			<b>Total shareholders' equity</b>	<b>281,928</b>	<b>226,981</b>
Stock of related parties	38,799	38,499	<b>Total Net Assets</b>	<b>¥ 281,928</b>	<b>¥ 226,981</b>
Claims in bankruptcy	1,843	1,443			
Long-term prepaid expenses	—	1,932	<b>Total Liabilities and Net Assets</b>	<b>¥ 2,050,151</b>	<b>¥ 1,963,440</b>
Other assets	1,873	2,627			
Allowance for doubtful accounts	(1,835)	(1,439)			
<b>Total investments and other assets</b>	<b>40,681</b>	<b>43,063</b>			
<b>Total non-current assets</b>	<b>1,422,128</b>	<b>1,385,791</b>			
<b>Total Assets</b>	<b>¥ 2,050,151</b>	<b>¥ 1,963,440</b>			

## 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
<b>Gross operating income</b>	<b>140,611</b>	<b>137,873</b>
Sales, general and administrative cost	95,722	95,093
<b>Net operating income</b>	<b>44,888</b>	<b>42,779</b>
<b>Other income</b>		
Rents received	19,610	19,915
Others	2,601	2,041
<b>Total other income</b>	<b>22,211</b>	<b>21,956</b>
<b>Other expenses</b>		
Lease cost	6,888	6,591
Others	1,236	1,147
<b>Total other expenses</b>	<b>8,125</b>	<b>7,738</b>
<b>Net ordinary income</b>	<b>58,974</b>	<b>56,997</b>
<b>Extraordinary gains</b>		
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
<b>Total extraordinary gains</b>	<b>1,822</b>	<b>1,615</b>
<b>Extraordinary losses</b>		
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
<b>Total extraordinary losses</b>	<b>4,099</b>	<b>81,935</b>
<b>Net income before income taxes</b>	<b>56,697</b>	<b>(23,321)</b>
Income taxes current	23,353	24,171
Income taxes for prior periods	3,530	—
<b>Total income taxes</b>	<b>26,884</b>	<b>24,171</b>
<b>Net income (loss) for the current year</b>	<b>¥ 29,812</b>	<b>¥ (47,493)</b>

### 3 Statements of Changes in Net Assets

(Millions of yen)

	<b>2009</b> (From April 1, 2008 to March 31, 2009)	<b>2010</b> (From April 1, 2009 to March 31, 2010)
<b>Shareholders' equity</b>		
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

- Accumulated depreciation of tangible fixed assets: ¥162,501 million
- Receivables and payables involving related parties
  - Short-term receivables: ¥41,530 million
  - Short-term payables: ¥18,989 million
- Assets pledged as collateral
 

As prescribed by laws concerning regulations on prepaid vouchers, other assets within investments and other assets includes assets pledged as collateral of ¥1,753 million.
- Monetary assets as collateral
 

Japan Post Service holds securities as collateral pledged by users of its pay-later postal services. Such securities are valued at ¥3 million as of March 31 of the current fiscal year.

### 2. Notes to Statements of Income

- 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
- 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

- Information concerning outstanding shares

(Thousands of shares)

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

- 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

- 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.

- 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)

- 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

- 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.

- 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%

- 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)
<b>Operating expenses</b>		
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
<b>Total operating expenses</b>	<b>¥ 1,724,671</b>	<b>¥ 1,675,174</b>
<b>Sales, general and administrative costs</b>		
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
<b>Total sales, general and administrative costs</b>	<b>¥ 95,722</b>	<b>¥ 95,093</b>



# 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)	Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and due from banks:	¥ 5,999,116	¥ 4,440,804	Deposits (Notes 7 and 8)	¥177,479,840	¥175,797,715
Cash	124,681	117,546	Payables under securities lending transactions (Note 7)	804,770	6,236,017
Due from banks	5,874,434	4,323,257	Borrowed money (Note 9)	8,700,000	2,000,000
Call loans	51,184	261,649	Foreign exchanges (Note 3)	102	116
Receivables under securities borrowing transactions	725,786	2,495,622	Other liabilities (Note 10)	1,182,240	1,523,721
Monetary claims bought	66,409	124,082	Contingent liabilities (Note 11)		
Trading account securities (Note 20):	159	196	Reserve for employees' bonuses	6,542	6,815
Trading Japanese government bonds	159	196	Reserve for employees' retirement benefits (Note 24)	127,584	129,015
Money held in trust (Note 20)	1,224,742	1,015,355	Reserve for directors' retirement benefits	141	194
Securities (Notes 7, 19, 20 and 21):	173,551,137	178,230,687	Deferred tax liabilities (Note 25)	—	145,208
Japanese Government Bonds	155,490,155	155,891,563	<b>Total liabilities</b>	<b>188,301,222</b>	<b>185,838,804</b>
Japanese local government bonds	6,177,212	5,289,202	<b>Net assets (Note 16):</b>		
Japanese corporate bonds	10,423,366	12,281,230	Common stock	3,500,000	3,500,000
Other securities	1,460,403	4,768,691	Capital surplus	4,296,285	4,296,285
Loans (Note 23):	4,031,587	4,022,547	Retained earnings	413,140	652,598
Loans on deeds	3,790,537	3,783,806	Total shareholder's equity	8,209,426	8,448,884
Overdrafts	241,050	238,741	Net unrealized gains (losses) on available-for-sale securities (Note 20)	(16,877)	382,593
Foreign exchanges (Note 3)	9,872	5,860	Deferred gains (losses) on hedges	(12,974)	8,069
Other assets (Notes 4 and 7)	10,480,635	3,902,137	<b>Total valuation and translation adjustments</b>	<b>(29,851)</b>	<b>390,663</b>
Tangible fixed assets (Note 5)	170,392	142,032	<b>Total net assets</b>	<b>8,179,574</b>	<b>8,839,547</b>
Intangible fixed assets (Note 6)	29,586	38,931	<b>Total liabilities and net assets</b>	<b>¥196,480,796</b>	<b>¥194,678,352</b>
Deferred tax assets (Note 25)	141,273	—			
Reserve for possible loan losses	(1,087)	(1,556)			
<b>Total assets</b>	<b>¥196,480,796</b>	<b>¥194,678,352</b>			

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)
<b>Revenues:</b>		
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
<b>Total revenues</b>	<b>2,489,017</b>	<b>2,207,983</b>
<b>Expenses:</b>		
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
<b>Total expenses</b>	<b>2,104,803</b>	<b>1,714,532</b>
<b>Income before income taxes</b>	<b>384,213</b>	<b>493,450</b>
<b>Income taxes (Note 25):</b>		
Current	192,604	198,698
Deferred	(37,754)	(2,005)
<b>Total income taxes</b>	<b>154,850</b>	<b>196,692</b>
<b>Net income</b>	<b>¥ 229,363</b>	<b>¥ 296,758</b>
	<b>2009</b>	<b>2010</b>
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)

	<b>2009</b> (From April 1, 2008 to March 31, 2009)	<b>2010</b> (From April 1, 2009 to March 31, 2010)
<b>Shareholders' Equity</b>		
<b>Common stock:</b>		
Balance at beginning of year	¥3,500,000	¥3,500,000
Balance at end of year	3,500,000	3,500,000
<b>Capital surplus:</b>		
Balance at beginning of year	4,296,285	4,296,285
Balance at end of year	4,296,285	4,296,285
<b>Retained earnings:</b>		
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
<b>Total shareholder's equity:</b>		
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
<b>Valuation and Translation Adjustments</b>		
<b>Net unrealized gains (losses) on available-for-sale securities:</b>		
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
<b>Deferred gains (losses) on hedges:</b>		
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
<b>Total valuation and translation adjustments:</b>		
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
<b>Total net assets:</b>		
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)

	<b>2009</b> (From April 1, 2008 to March 31, 2009)	<b>2010</b> (From April 1, 2009 to March 31, 2010)
<b>Cash flows from operating activities:</b>		
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
<b>Cash flows from investing activities:</b>		
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)
<b>Cash flows from financing activities:</b>		
Cash dividends paid	(22,800)	(57,300)
Net cash used in financing activities	(22,800)	(57,300)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>575</b>	<b>462</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,321,939)</b>	<b>661,688</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5,021,055</b>	<b>2,699,116</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 2,699,116</b>	<b>¥ 3,360,804</b>

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
<b>Total</b>	<b>¥1,182,240</b>	<b>¥1,523,721</b>

#### 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:

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

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:

	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
<b>Total</b>	<b>¥53,791</b>	<b>¥13,058</b>

#### 13. OTHER INCOME

Other income for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	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
<b>Total</b>	<b>¥12,965</b>	<b>¥20,342</b>

#### 14. OTHER OPERATING EXPENSES

Other operating expenses for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	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	—
<b>Total</b>	<b>¥53,452</b>	<b>¥10,079</b>

#### 15. OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2010 and 2009 consisted of the following:

	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
<b>Total</b>	<b>¥106,885</b>	<b>¥13,328</b>

#### 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:

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

2010					
Type of shares	Authorized	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-assess-

ments 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 meet-

ings 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	—
<b>Total assets</b>	<b>192,589,869</b>	<b>195,664,250</b>	<b>3,074,381</b>
(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	—
<b>Total liabilities</b>	<b>184,033,732</b>	<b>184,452,628</b>	<b>418,895</b>
Derivative transactions***			
For which hedge accounting is not applied	207	207	—
For which hedge accounting is applied	(261)	(261)	—
<b>Total derivative transactions</b>	<b>¥ (54)</b>	<b>¥ (54)</b>	<b>¥ —</b>

\* 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	
Account	Other liabilities**	Other liabilities***
	Transaction amount: ¥4,431 million	
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***
	Transaction amount	¥53,409 million	¥1,340,000 million
Outstanding balance at end of the fiscal year		¥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)	Item	2009 (As of March 31, 2009)	2010 (As of March 31, 2010)
<b>Assets</b>			<b>Liabilities</b>		
Cash and deposits	¥ 2,279,210	¥ 2,287,864	Policy reserves	¥ 102,727,247	¥ 97,226,858
Cash	7,416	6,510	Reserve for outstanding claims	1,165,595	1,131,793
Deposits	2,271,794	2,281,353	Policy reserves	98,801,221	93,417,099
Call loans	460,258	353,889	Reserve for policyholders' dividends	2,760,430	2,677,965
Receivables under securities borrowing transactions	1,033,977	799,678	Due to reinsurers	237	253
Monetary claims bought	4,527	8,058	Other liabilities	2,277,410	2,090,736
Money held in trust	409,123	175,038	Payable under securities lending transactions	1,321,335	1,029,168
Securities	83,326,846	80,341,503	Income taxes payable	—	10,378
Japanese government bonds	69,673,325	67,617,608	Accounts payable	585,386	846,232
Japanese local government bonds	4,556,326	5,128,174	Accrued expenses	14,854	13,841
Japanese corporate bonds	8,213,710	6,937,524	Unearned revenues	1	—
Foreign securities	883,483	658,195	Deposits received	11,536	13,125
Loans	18,341,808	16,260,524	Deposit received from Management Organization for Postal Savings and Postal Life Insurance	322,468	164,678
Policy loans	440	3,101	Derivatives	—	2,510
General loans	217,386	351,527	Lease obligations	—	793
Loans to Management Organization for Postal Savings and Postal Life Insurance	18,123,982	15,905,896	Suspense receipt	20,970	9,315
Tangible fixed assets	115,906	99,297	Other liabilities	857	692
Land	40,726	40,726	Reserve for possible claims payment	—	6,914
Buildings, net	36,485	34,982	Reserve for employees' retirement benefits	53,667	54,147
Lease assets	—	724	Reserve for directors' retirement benefits	62	96
Construction in progress	28	97	Reserve under the special law	446,581	421,408
Others, net	38,666	22,767	Reserve for price fluctuations	446,581	421,408
Intangible fixed assets	72,912	89,289	<b>Total liabilities</b>	<b>¥105,505,207</b>	<b>¥ 99,800,415</b>
Software	72,895	89,268	<b>Net assets</b>		
Others	16	21	Capital stock	¥ 500,000	¥ 500,000
Agency accounts receivable	96,140	111,507	Capital surplus	500,044	500,044
Other assets	262,121	252,369	Legal capital surplus	405,044	405,044
Accounts receivable	14,189	13,434	Other capital surplus	95,000	95,000
Prepaid expenses	238	1,341	Retained earnings	66,174	126,722
Accrued income	241,771	231,721	Legal retained earnings	—	1,915
Cash segregated as deposits	1,205	1,753	Other retained earnings	66,174	124,806
Suspense payments	2,864	1,627	Retained earnings brought forward	66,174	124,806
Other assets	1,852	2,490	Total shareholders' equity	1,066,218	1,126,766
Deferred tax assets	175,888	191,661	Net unrealized gains (losses) on securities	6,537	42,599
Allowance for doubtful accounts	(759)	(902)	Total valuation and translation adjustments	6,537	42,599
<b>Total assets</b>	<b>¥106,577,963</b>	<b>¥100,969,782</b>	<b>Total net assets</b>	<b>¥ 1,072,756</b>	<b>¥ 1,169,366</b>
			<b>Total liabilities and net assets</b>	<b>¥106,577,963</b>	<b>¥100,969,782</b>

## 2

## Statements of Income

(Millions of yen)

Item	2009 (For the year ended March 31,2009)	2010 (For the year ended March 31,2010)
<b>Ordinary income</b>	<b>¥15,533,727</b>	<b>¥14,591,640</b>
<b>Insurance premiums and others</b>	<b>7,881,174</b>	<b>7,505,609</b>
Insurance premiums	7,881,174	7,505,609
<b>Investment income</b>	<b>1,713,929</b>	<b>1,665,926</b>
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
<b>Other ordinary income</b>	<b>5,938,624</b>	<b>5,420,103</b>
Reversal of outstanding claims	–	33,801
Reversal of policy reserves	5,934,141	5,384,121
Other ordinary income	4,483	2,180
<b>Ordinary expenses</b>	<b>15,319,442</b>	<b>14,212,016</b>
<b>Insurance claims and others</b>	<b>13,935,765</b>	<b>13,523,972</b>
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
<b>Provision for policy reserves and others</b>	<b>302,778</b>	<b>21,483</b>
Provision for reserves for outstanding claims	277,421	–
Provision for interest portion of reserve for policyholders' dividends	25,357	21,483
<b>Investment expenses</b>	<b>469,410</b>	<b>31,180</b>
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
<b>Operating expenses</b>	<b>548,122</b>	<b>549,298</b>
<b>Other ordinary expenses</b>	<b>63,364</b>	<b>86,080</b>
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
<b>Net ordinary income</b>	<b>214,285</b>	<b>379,623</b>
<b>Extraordinary income</b>	<b>115,731</b>	<b>25,192</b>
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
<b>Extraordinary losses</b>	<b>1,844</b>	<b>77</b>
Losses on disposal of fixed assets	1,844	77
<b>Provision for reserve for policyholders' dividends</b>	<b>275,913</b>	<b>294,394</b>
<b>Income before income taxes</b>	<b>52,258</b>	<b>110,343</b>
<b>Income taxes-current</b>	<b>29,534</b>	<b>76,460</b>
<b>Income taxes-deferred</b>	<b>(15,593)</b>	<b>(36,243)</b>
<b>Total income taxes</b>	<b>13,941</b>	<b>40,216</b>
<b>Net income</b>	<b>¥ 38,316</b>	<b>¥ 70,126</b>

## 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)		2009 (For the year ended March 31, 2009)	2010 (For the year ended March 31, 2010)
<b>Shareholders' equity:</b>			<b>Total Retained earnings:</b>		
Capital stock:			Balance at the end of previous period	¥ 27,858	¥ 66,174
Balance at the end of previous period	¥ 500,000	¥ 500,000	Changes of items during the period:		
Balance at the end of current period	¥ 500,000	¥ 500,000	Dividends	—	(9,579)
Capital surplus:			Net income	38,316	70,126
Legal capital surplus:			Total changes during the period	38,316	60,547
Balance at the end of previous period	¥ 500,044	¥ 405,044	Balance at the end of current period	¥ 66,174	¥ 126,722
Changes of items during the period:			<b>Total shareholders' equity:</b>		
Reversal of legal capital surplus	(95,000)	—	Balance at the end of previous period	¥1,027,902	¥1,066,218
Total changes during the period	(95,000)	—	Changes of items during the period:		
Balance at the end of current period	¥ 405,044	¥ 405,044	Reversal of legal capital surplus	(95,000)	—
Other capital surplus:			Increase in other capital surplus	95,000	—
Balance at the end of previous period	¥ —	¥ 95,000	Dividends	—	(9,579)
Changes of items during the period:			Net income	38,316	70,126
Increase in other capital surplus	95,000	—	Total changes during the period	38,316	60,547
Total changes during the period	95,000	—	Balance at the end of current period	¥1,066,218	¥1,126,766
Balance at the end of current period	¥ 95,000	¥ 95,000	<b>Valuation and translation adjustments:</b>		
Total capital surplus:			Net unrealized gains(losses) on securities:		
Balance at the end of previous period	¥ 500,044	¥ 500,044	Balance at the end of previous period	¥ (123,651)	¥ 6,537
Changes of items during the period:			Changes of items during the period:		
Reversal of legal capital surplus	(95,000)	—	Net changes of items other than shareholders' equity	130,188	36,062
Increase in other capital surplus	95,000	—	Total changes during the period	130,188	36,062
Total changes during the period	—	—	Balance at the end of current period	¥ 6,537	¥ 42,599
Balance at the end of current period	¥ 500,044	¥ 500,044	<b>Total net unrealized gains(losses) on securities:</b>		
Retained earnings:			Balance at the end of previous period	¥ (123,651)	¥ 6,537
Legal retained earnings:			Changes of items during the period:		
Balance at the end of previous period	¥ —	¥ —	Net changes of items other than shareholders' equity	130,188	36,062
Changes of items during the period:			Total changes during the period	130,188	36,062
Dividends	—	1,915	Balance at the end of current period	¥ 6,537	¥ 42,599
Total changes during the period	—	1,915	<b>Total net assets:</b>		
Balance at the end of current period	¥ —	¥ 1,915	Balance at the end of previous period	¥ 904,250	¥1,072,756
Other retained earnings:			Changes of items during the period:		
Retained earnings brought forward :			Reversal of legal capital surplus	(95,000)	—
Balance at the end of previous period	¥ 27,858	¥ 66,174	Increase in other capital surplus	95,000	—
Changes of items during the period:			Dividends	—	(9,579)
Dividends	—	(11,494)	Net income	38,316	70,126
Net income	38,316	70,126	Net changes of items other than shareholders' equity	130,188	36,062
Total changes during the period	38,316	58,631	Total changes during the period	168,505	96,610
Balance at the end of current period	¥ 66,174	¥ 124,806	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)		2009 (For the year ended March 31, 2009)	2010 (For the year ended March 31, 2010)
<b>Cash flows from operating activities:</b>			Proceeds from redemption of call loans	34,508,486	30,138,358
Net income before income taxes	¥ 52,258	¥ 110,343	Payments of purchase of monetary claims bought	(34,588)	(3,500)
Depreciation	23,896	40,996	Proceeds from sales and redemption of monetary claims bought	89,970	–
Increase (decrease) in reserve for outstanding claims	277,421	(33,801)	Proceeds from decrease in money held in trust	1,355,595	290,030
Increase (decrease) in policy reserves	(5,934,141)	(5,384,121)	Payments for purchase of securities	(17,113,164)	(12,267,218)
Interest portion of reserve for policyholders' dividends	25,357	21,483	Proceeds from sales and redemption of securities	19,534,039	15,186,248
Provision (reversal) for reserve for policyholders' dividends	275,913	294,394	Payments of loans	(2,967,687)	(2,668,111)
Increase (decrease) in allowance for doubtful accounts	51	142	Proceeds from collection of loans	4,547,148	4,749,354
Increase (decrease) in reserve for possible claims payment	–	6,914	Net increase (decrease) in receivables/payables under securities borrowing transactions	105,671	(57,869)
Increase (decrease) in reserve for employees' retirement benefits	1,351	480	Others	(57,575)	167,892
Increase (decrease) in reserve for directors' retirement benefits	42	34	Subtotal	5,787,837	5,503,195
Increase (decrease) in reserve for price fluctuations	(112,420)	(25,173)	<b>Total of net cash provided by (used in) operating activities and investment transactions as above</b>	<b>260,852</b>	<b>62,348</b>
Interest, dividends and other income	(1,646,201)	(1,616,041)	Payments for purchase of tangible fixed assets	(31,117)	(5,259)
Losses (gains) on money held in trust	296,779	(38,799)	Proceeds from sales of tangible fixed assets	316	2
Losses (gains) related to securities	99,309	16,462	Payments for purchase of intangible fixed assets	–	(38,738)
Interest expenses	5,987	2,866	Others	(30,980)	(349)
Losses (gains) on derivatives	–	204	<b>Net cash provided by (used in) investing activities</b>	<b>5,726,056</b>	<b>5,458,850</b>
Foreign exchange losses (gains)	230	915	<b>Cash flows from financing activities:</b>		
Losses (gains) related to tangible fixed assets	1,449	65	Proceeds involved in Sale and Lease-back transaction	–	229
Net decrease (increase) in agency accounts receivable	41,613	(15,367)	Dividends paid	–	(9,579)
Decrease (increase) in other investing and financing activities assets	9,434	(9,254)	<b>Net cash provided by (used in) financing activities</b>	<b>–</b>	<b>(9,349)</b>
Net increase (decrease) in reinsurance accounts payable	45	15	<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>–</b>	<b>–</b>
Increase (decrease) in other investing and financing activities liabilities	(246,199)	(168,717)	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>199,070</b>	<b>8,653</b>
Others	(3,418)	(936)	<b>Cash and cash equivalents at beginning of period</b>	<b>2,080,139</b>	<b>2,279,210</b>
Subtotal	(6,831,238)	(6,796,893)	<b>Cash and cash equivalents at end of period</b>	<b>¥2,279,210</b>	<b>¥2,287,864</b>
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)			
<b>Net cash provided by (used in) operating activities</b>	<b>(5,526,985)</b>	<b>(5,440,846)</b>			
<b>Cash flows from investing activities:</b>					
Payments for purchase of call loans	(34,180,058)	(30,031,989)			

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 April 1, 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-category 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-category 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 be 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.

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# 1. Business Hours and Points of Contact for Inquiries

## 1 Business Hours

### 1. Japan Post Network (Post Offices)

#### ■ Post Office Business Hours

Days of the week	Mail services	Deposit services	Insurance services
Monday through Friday	9:00 to 17:00 (Some offices are open until 19:00)	9:00 to 16:00 (Some offices are open until 18:00)	9:00 to 16:00 (Some offices are open until 18:00)
Saturday	Closed (Some offices are open from 9:00 to 15:00 or 9:00 to 17:00)	Closed	Closed
Sunday and holidays	Closed (Some offices are open from 9:00 to 12:30)	Closed	Closed

Notes: 1. Hours of certain offices may differ from the above because of their location or other factors.

2. Offices are closed from December 31 through January 3; however, only mail services are available during this period at some offices.

### 2. Japan Post Service

#### ■ Yu-Yu Window

Branches of Japan Post Service offer "Yu-Yu Window" services after normal post office hours. In addition, at 363 branches (as of April 1, 2010), Yu-Yu Window services are offered on a 24-hour basis. Services include (a) acceptance of regular mail, Yu-Pack parcel post and certain other items; (b) access to mail returned because

of the absence of the recipient from his/her home; and (c) sale of postal stamps, revenue stamps and certain other items.

Please confirm the service hours of individual branches via our website (<http://www.post.japanpost.jp/index.html>) (Japanese only).

### 3. Japan Post Bank

#### ■ Service Hours

Days of the week	Hours services are available
Monday through Friday	9:00 to 16:00 (Some offices are open until 18:00)
Saturday, Sunday and holidays	Closed

Notes: 1. Offices are closed from December 31 to January 3.

2. Service hours of some offices may differ from those listed above.

## ■ ATM Service Hours

Service hours of ATMs are set individually according to their location but the typical hours when ATM services are available are shown in the table below.

For the service hours of individual ATMs, check the information posted at the respective ATMs or "Branches and ATM Information"

on the Japan Post Bank website ([http://www.jp-bank.japanpost.jp/access/access\\_index.html](http://www.jp-bank.japanpost.jp/access/access_index.html)) (Japanese only) or "Search Post Offices and ATMs" via the Japan Post Group website (<http://map.japanpost.jp/pc>) (Japanese only).

Days of the week	Japan Post Bank branches	Post offices (Japan Post Bank agents)	Sub-branches (Installation outside store in station and supermarket, etc.)
Monday through Friday	8:00 to 21:00 (7:00 to 23:00 at some branches)	9:00 to 17:30 (7:00 to 23:00 at some post offices)	9:00 to 19:00 (7:00 to 23:00 at some sub-branches)
Saturday	9:00 to 19:00 (9:00 to 21:00 at some branches)	9:00 to 12:30 (9:00 to 21:00 at some post offices)	9:00 to 17:00 (9:00 to 21:00 at some sub-branches)
Sunday and holidays (Including January 2 and 3)	9:00 to 19:00	9:00 to 17:00 (Service at approx. 6,300 post offices; 9:00 to 19:00 at some post offices)	9:00 to 17:00 (9:00 to 19:00 at some sub-branches)

- Notes: 1. The service hours listed above are typical ATM operating hours, but actual hours may differ by ATM.  
 2. Certain ATMs are not available for service on Saturday, Sunday and holidays.  
 3. The following services are not available via ATMs on (a) Monday through Friday before 7:00 and after 21:00, and (b) before 9:00 and after 17:00 on Saturday, Sunday and holidays: ordinary deposits, coin withdrawals and fund transfers.  
 4. Transfers (making remittances to other financial institutions) for which applications are accepted after 15:00 from Monday to Friday and/or for those accepted on Saturday, Sunday and holidays will be handled on the following business day.  
 5. Certain ATM and cash dispenser (CD) services are not available at the ATMs and CDs of affiliated financial institutions at certain times.  
 6. The Japan Post Group is currently conducting trials of 24-hour ATM services at 16 locations nationwide.  
 7. The commission charged by affiliated financial institutions for using their cash card in Japan Post Bank ATMs differs according to the institution. Please inquire to the specific affiliated financial institution.

## 4. Japan Post Insurance

Insurance services are available at the insurance counters of post offices.

## 2

### Points of Contact for Inquiries

#### 1. For Information and Advice Related to Post Offices and Postal Services

##### ■ Customer Service Consulting Center

For inquiries please call the following free-dial number: 0120-23-28-86. Follow the Interactive Voice Response (IVR) guide to be connected to the appropriate call center.

Telephone number	Select	Name	Business hours
Free-dial: <b>0120-23-28-86</b> (Japanese only)	[*]+[1]	Japan Post Service Customer Service Consulting Center	Weekdays: 8:00 to 22:00 Saturday, Sunday and holidays: 9:00 to 22:00
	[*]+[2]→1	Japan Post Bank Call Center	Weekdays: 8:30 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)
	[*]+[2]→2	Japan Post Bank Card Loss Center	Available 24-hours, all year round
	[*]+[3]→1	Japan Post Insurance Call Center	Weekdays: 9:00 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Excluding January 1 to January 3)
	[*]+[3]→2	Japan Post Insurance Card Loss Center	Weekdays: 8:30 to 21:00 (Excluding Saturdays, Sundays and holidays, and December 31 to January 3)
	[*]+[4]	Japan Post Network Customer Service Consulting Center	Weekdays: 9:00 to 21:00 Saturday, Sunday and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)

Customer inquiries using mobile phones can be made via the following number.

**0570-046-666**

(Communications charge must be paid by the customer.)

For those who wish to use English, please dial the following number.

**0570-046-111**

(Communications charge must be paid by the customer.)

(Calls cannot be made from overseas.)

- Notes: 1. If it is not possible to confirm the identity of the person speaking on the telephone, it may not be possible to give a detailed response to a particular inquiry.  
 2. In order to improve service and manage operations effective calls to the Customer Service Consulting Center are recorded.

## 2. For Telephone Inquiries Regarding Services of Japan Post Bank

\* Unless otherwise noted, telephone numbers are available toll-free using mobile and Personal Handyphone System (PHS) phones. There are certain cases where Internet Protocol (IP) phones and other equipment cannot be used.

### ■ Card Loss Center

A toll-free phone number is exclusively available for notification regarding loss or stolen bankbooks (certificates) or cash cards.

Notifications can be also reported at the nearest Japan Post Bank or post office deposit service counter.

Service hours	Telephone number
Available 24 hours all year round	<b>0120-794889</b> (Japanese only) Calls from overseas: +81-48-600-3305 (Communication charges required) (Japanese only)

### ■ Japan Post Bank Call Center

Contact the following number for inquiries and consultation regarding products and services.

Service hours	Telephone number
Weekdays: 8:30 to 21:00	<b>0120-108420</b> (Japanese only)
Saturday, Sunday and holidays: 9:00 to 17:00	

Note: Service is available from 9:00 to 17:00 during the period from December 31 to January 3.

### ■ Investment Trust Call Center (*Toushin Oshiete Call*)

Information regarding investment trusts is also available via the call center and our investment trust website.

Investment trust website:  
<http://www.jp-bank.japanpost.jp/toushin/>  
(Japanese only)

Service hours	Telephone number
9:00 to 18:00	<b>0800-800-4104</b> (Japanese only)

Note: Excluding Saturday, Sunday, holidays and the period from December 31 to January 3

### ■ Defined Contribution Pension Call Center

Material requests and inquiries regarding enrollment of defined contribution pensions (individual annuities) can be made via the following number.

Service hours	Telephone number
9:00 to 21:00	<b>0120-401034</b> (Japanese only) Alternative phone number when the number above is not available: <b>044-753-5835</b> (Communication charges required) (Japanese only)

Note: Excluding Saturday, Sunday, holidays and the period from December 31 to January 3

### ■ Japan Post Bank Transfers Inquiry Center

Inquiries regarding transfers between other financial institutions, including branch name, deposit item and account number can be made via the following number.

Service hours	Telephone number
Available 24 hours all year round	<b>0120-253811</b> (Japanese only)

### ■ English-Language Information Services

For those who wish to make inquiries in English regarding the products and services of Japan Post Bank, please call the following number during the hours indicated.

Service hours	Telephone number
Weekdays: 8:30 to 18:00	<b>0120-085420</b>

Notes: 1. Excluding Saturday, Sunday, holidays and the period from December 31 to January 3

2. Calls to this number cannot be made from mobile phones, PHS, IP or certain other types of devices.

### ■ Japan Post Bank Consultation Service

Consultants are consigned to provide support service to resolve claims and incidents related to products and services.

Service hours	Telephone number
9:00 to 17:00	<b>03-5574-9868</b> (Japanese only)

Notes: 1. Excluding Saturday, Sunday, holidays and the period from December 29 to January 3

2. Consultants are not Japan Post Bank employees.

### 3. For Information and Advice Related to Japan Post Insurance

#### ■ Japan Post Insurance Call Center

Japan Post Insurance Call Center responds to general inquiries including insurance products and premium rates. For inquiries regarding individual contracts such as status of respective insurance payment after application submittal, calls are forwarded to the service center in charge and staff at the respective center will address such matters.

Service hours	Telephone number
Weekdays: 9:00 to 21:00	<b>0120-552950</b> (Japanese only)
Saturday, Sunday and holidays: 9:00 to 17:00	

Notes: 1. Excluding the period from January 1 to January 3  
2. The Japan Post Insurance Call Center responds to general inquiries including insurance products and premiums.

### 3 Online Inquiries

Click on "Inquiries" via Japan Post Holdings website (<http://www.japanpost.jp/faq/>) (Japanese only) and make inquiries by clicking the relevant buttons from among inquiries related to "Mail," "Deposits,"

"Insurance" and "Post Offices."

For inquiries related to Japan Post Holdings Co., Ltd., click where indicated and use inquiry forms for submittal.

## 2. Japan Post Group Privacy Policy

### 1

#### Japan Post Group Privacy Policy

The Japan Post Group is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting personal data is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy for protecting personal data, which is generally known as the Group's privacy policy.

##### (1) Compliance with laws and regulations

When handling personal data, the Group complies with all laws and regulations associated with protecting personal data, national government policies and the provisions of the privacy policy ("laws, regulations, etc.," hereafter).

##### (2) Purpose of using personal data

The Group specifies the purpose of using personal data and uses this data solely for achieving this purpose.

The purposes for which Group companies use personal data are listed in the privacy policies on each company's website and where applicable.

##### (3) Acquisition of personal data

The Group acquires personal data using methods that are legal and proper.

##### (4) Security measures for management of personal data

The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal data. In addition, the Group properly supervises employees and outsourcing parties.

##### (5) Provision of personal data to third parties

Except in cases where required by laws, regulations, etc., the Group does not supply personal data to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal data, this sharing is performed only after providing prior notice or public announcements of items required by law.

##### (6) Procedures for requesting disclosure of personal data

The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

##### (7) Points of contact for inquiries

Inquiries and requests regarding disclosure and other uses of personal data can be made to designated points of contact.

##### (8) Continuous improvements

The Group constantly reviews and improves its management and handling methods for the protection of personal data in response to advances in information technology and shifts in social demands.

## 2

## Sharing of Personal Data among Japan Post Group Companies

The Japan Post Group began with the October 2007 privatization of Japan's postal system. Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding, and pledges that strict information management will be used during the shared use of personal data.

### (1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

### (2) Scope of parties involved in shared use

Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings Co., Ltd., as prescribed by laws, regulations, etc., and is limited to the following companies:

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

### (3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

### (4) Name of party with responsibility for managing personal data

Japan Post Holdings Co., Ltd.

### (5) Other items

- 1) Customer data from pre-privatization postal insurance policy contracts will be used for insurance sales activities only after receiving the prior consent of the applicable customers.
- 2) Prior consent of the applicable customers will be received before using data on savings transactions (private financial information) for insurance sales activities and before using data on transactions (private financial information) involving life insurance policies (including postal insurance) to sell savings products.

# 3. Japan Post Group Conflicts of Interest Management Policy

## Details of policy

The Japan Post Group (“the Group”) conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following companies in the Japan Post Group (“Group companies”) fall within the scope of the Conflicts of Interest Management Policy
  - Japan Post Bank
  - Japan Post Insurance
  - Japan Post Network
2. The Group will manage conflicts of interest for the transactions stipulated below.
  - (1) Transactions that may unduly impair the interests of customers among the following transactions:
    - Transaction with a customer that has an interest in one of the Group companies based on an agreement
    - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
    - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement
  - (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest
3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:
  - (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
  - (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
  - (3) Discontinue the target transaction or the secondary transaction with the customer
  - (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests
4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.
5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.



# Guide to Websites of the Japan Post Group Announcement of Financial Results



<http://www.japanpost.jp/>



<http://www.jp-network.japanpost.jp/>



<http://www.post.japanpost.jp/>



<http://www.jp-bank.japanpost.jp/>



<http://www.jp-life.japanpost.jp/>



<http://www.japanpost.jp/financial/index02.html>

## Announcement of Financial Results

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