

2008

JAPAN POST BANK Annual Report
Year ended March 31, 2008

Profile of Japan Post Bank

JAPAN POST BANK Co., Ltd., began operations on October 1, 2007, with the privatization and reorganization of Japan Post. The new Japan Post Group is made up primarily of a holding company called JAPAN POST HOLDINGS Co., Ltd., and four operating companies: JAPAN POST NETWORK Co., Ltd., JAPAN POST SERVICE Co., Ltd., JAPAN POST BANK Co., Ltd., and JAPAN POST INSURANCE Co., Ltd.

(As of July 1, 2008)

Name	JAPAN POST BANK Co., Ltd.
Established	September 1, 2006 Note: Changed name from Yucho Co., Ltd., to JAPAN POST BANK Co., Ltd., on October 1, 2007
Chairman & CEO	Koji Furukawa
President & COO	Shokichi Takagi (Director and Deputy President of JAPAN POST HOLDINGS)
Head office	1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo
Common stock	¥3,500 billion
Shareholder	JAPAN POST HOLDINGS Co., Ltd. (Ownership ratio: 100%)
Employees	11,201 (March 31, 2008)
Number of business offices	Head office, 234 branch offices

Note: The number of employees does not include Japan Post Bank employees assigned to other companies but does include employees of other companies assigned to Japan Post Bank.

Management Philosophy

We are 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.

The Japan Post Bank Logo



Our logo uses “Japan Post Bank green” to create a fresh image that expresses our desire to become a forward-looking bank that can build on the trust earned over the years as a part of Japan Post.



INDEX	
Message from the Management	2
Business Outline	4
1 Business Report	4
2 Financial Condition	5
3 Management Strategies	5
Products and Services	9
1 New Products and Services	10
2 Investment Trust Sales at Japan Post Bank and Post Offices	11
3 Other Products and Services	13
Becoming a Reliable Company	15
1 Corporate Governance	16
2 Internal Audits	17
3 Compliance	18
4 Risk Management	20
5 Corporate Social Responsibility	30
6 Improving Customer Satisfaction	33
7 Upgrading Security	34
8 Protection of Personal Data	37
Fiscal 2007 Business Report	39
Financial Data	40
Status of Monetary Claims	52
Corporate Data	53
1 Directors and Executive Officers	54
2 Organization Chart	55
3 Shareholder Information	56
Financial Data	57
1 Financial Statements (Non-consolidated)	58
2 Derivatives	70
3 Balance of Reserve for Possible Loan Losses and Changes during the Fiscal Year	71
4 Write-off of Loans	71
5 Capital Position	72
Introduction to the Japan Post Group	82

This publication contains forward-looking statements. Please note that actual developments may differ from such statements, depending on changes in the management environment.

Message from the Management

We, Japan Post Bank, as a member of the newly formed Japan Post Group, successfully launched business on October 1, 2007, in the course of privatization of Japan's postal operations.

It is our pleasure to explain the policies and activities of Japan Post Bank as follows.

Aiming to Be the Most Convenient and Dependable Bank in Japan

Japan Post Bank provides banking products and services for individuals in Japan through an immense network made up of 233 of our own branches and about 24,000 Post Offices of Japan Post Network that serve as agents for us.

Our goal is to earn solid confidence among customers as the most convenient and dependable bank in Japan with the tighter cooperation with Japan Post Network, a sister company of the Japan Post Group. Based on our slogan of "Supporting your steady efforts," we are dedicated to meeting the diverse needs of our customers by supplying products and services they can use with a sense of security and confidence.

We recognize the importance of ensuring the safety of our customers' deposits, and, under sophisticated risk management, we will exert our best efforts to maintain the soundness of our assets while seeking higher returns.

Fiscal 2007 Performance and Activities

The 2007 fiscal period, which covers the six months ending on March 31, 2008, was our first stage as a private-sector bank. Our highest priority was achieving a smooth transition in line with our privatization plan, and, from this perspective, we have endeavored to establish sound operations and effective internal control systems.

Despite minor system trouble occurring immediately after the privatization, we were able to complete our first fiscal period without any significant disruptions to customer services.

During this first period, we took many initiatives to convey to customers the benefits of our privatization. As an example, we held a marketing campaign offering our close customers premium interest rates on deposits, which had been legally

prohibited as a government-owned entity. Other illustrations are the running of a lottery campaign to commemorate the privatization and the elimination of fees for internal transfers of funds through our ATMs. All of these activities generated a strong response from our customers.

In December 2007, we obtained permission to deal with syndicated loans, trust beneficiary rights, derivatives, and other financial instruments that had not been allowed prior to our privatization.

This enlarged our range of investment tools, and we are now seeking to diversify our revenue sources under the sophisticated risk management, although the interest income on Japanese government bonds is still the main stream of our revenue.

While financial institutions in Japan and other countries have been seriously damaged by the subprime loan crisis, we achieved earnings that exceeded our targets for the 2007 fiscal period made prior to the privatization, largely because we invest funds mainly in Japanese government bonds. Net operating income was ¥256.1 billion and net income was ¥152.1 billion, compared with our targets of ¥217.0 billion and ¥130.0 billion, respectively.

Cost-containment initiatives more than offset a decline in fees from selling investment trusts and asset impairment charges.

Looking Ahead to Fiscal 2008

We view fiscal 2008, which is the year ending on March 31, 2009, as the true first step for complete privatization, and we will relentlessly seek to develop our retail banking business and investment operations while further strengthening our internal control systems.

Regarding our internal control systems, our goal is to ensure that customers can use our services with complete confidence.



Koji Furukawa
Chairman & CEO



Shokichi Takagi
President & COO

We will concentrate on establishing a sound reputation for the Japan Post Bank brand by placing priority on conducting rigorous programs focused on compliance and the quality of our banking operations.

In our retail banking business, we will deepen our ties with Japan Post Network and will expand our customer base along with deposit operations and sales of investment trusts and Japanese government bonds. In addition, we plan to start many business activities that will allow us to assist customers with all aspects of their lives. For example, in April 2008, we obtained permission to issue credit cards, sell variable annuities for individuals, and offer consumer loans (as an intermediary).

Until now, we had been unable to offer customers a convenient means of transferring funds to accounts at other banks. But in May 2008, we obtained permission to join the Zengin Data Telecommunication System and plan to start offering fund transfers with financial institutions throughout Japan as soon as January 2009.

We will continue to increase our lineup of products and services in order to reinforce our retail banking business and achieve even greater customer satisfaction.

Regarding our investment business, we expect that market conditions will remain uncertain for the time being. The subprime loan crisis is still affecting financial markets and fears of inflation are growing because of higher commodity prices.

We will continue to invest funds primarily in Japanese government bonds, but we will gradually diversify our investment portfolio. We will seek to establish a more powerful profit structure that can consistently generate stable earnings in each fiscal period with the appropriate risk control systems.

Moving Quickly toward an IPO

Japan Post Bank is now a private-sector bank, and we have taken only the first step toward complete privatization, which requires the public offering of all our stock by Japan Post Holdings, our sole shareholder.

With our customers' viewpoints as our first consideration, we will enlarge our service lineup and reinforce our internal control systems. Further improving our profitability is another objective. By taking these actions, we plan to conduct an initial public offering (IPO) as soon as possible.

Also, we are well aware of our substantial social responsibilities, and, as a private-sector bank, we are dedicated to conducting extensive corporate social responsibility (CSR) activities for all stakeholders, including customers, markets, the environment, the community, and employees.

Everyone at Japan Post Bank is committed to providing our customers with more and better products and services, and we do hope our privatization will give our customers further confidence in and satisfaction with Japan Post Bank. We sincerely appreciate your understanding and continued support.

July 2008

Koji Furukawa
Chairman & CEO

Shokichi Takagi
President & COO

1 Business Report

A smooth and steady privatization

Following extensive preparations involving both computer systems and people, Japan Post Bank was able to begin operations in October 2007 as a private-sector company with no major disruptions to customer services.

As one way to benefit customers following the privatization, we conducted a privatization commemoration lottery campaign (in October and November 2007) and the first marketing campaign in our history that offered premium interest rates on deposits (December 2007). Furthermore, we eliminated fees for internal transfers of funds through our ATMs.

Rapid establishment of internal control systems and enhancement of quality of operations

Japan Post Bank uses the company with committees system in order to separate the management functions of supervision and execution of business activities. This system is aimed at strengthening internal controls and improving management transparency and facilitating speedy decision making.

Based on the management policy that “Compliance always comes first,” we are using the following actions to strengthen compliance programs. Furthermore, by improving the quality of operations, we are working on providing customers with services of an even higher quality.

- Senior management plays a direct role in emphasizing the importance of compliance activities. For the compliance organization, there are compliance officers who are responsible for conducting compliance activities at each business site, compliance training programs for all employees, and other activities to ensure that all employees are well aware of the importance of compliance.
- We have a system for using feedback from customers to improve operations. We have extended the operating hours of the Japan Post Bank Call Center on weekdays and started operating this center on weekends and holidays. Another improvement is the establishment of a toll-free number for calls from cell phones and other phones.
- To improve the quality of operations, we have installed money-handling machines and other equipment at all branches. In addition, we have a guidance system for clerical personnel at our branches and Post Offices.
- To sell investment trusts and other financial products properly, we conduct special investigations and inspections and are reinforcing our internal control systems.
- We hold information security classes led by external instructors and conduct other activities to ensure that customers' personal data is protected.
- To improve the reliability of our financial reports, we comply with the Japanese version of the Sarbanes-Oxley Act with regard to evaluations and reports of internal controls and other matters.
- We are increasing the number of auditors and taking other actions to upgrade our internal auditing activities.

Establishing a model for the retail banking business

To offer a wide range of products as a retail bank, we have applied for permission to start new businesses that meet our customers' needs. Applications have been submitted for a credit card business, a life insurance sales business that includes variable annuities for individuals, and a consumer loan intermediary business.

We have conducted marketing campaigns to attract new customers. Two examples are a campaign that offered premium interest rates on deposits and a campaign that encouraged individuals to deposit their lump-sum retirement payments at Japan Post Bank (from February to May 2008). These campaigns had the added benefit of generating more business from current customers.

For investment trusts, we hold seminars throughout Japan to give customers a complete explanation of the characteristics of the products.

Upgrading investment management operations

We are diversifying sources of revenue by widening the range of investments. We have increased the number of staff in the investment division and filed applications that will allow us to deal with syndicated loans, trust beneficiary rights, loans, and other financial instruments. Our applications were approved in December 2007, and we have started using these additional ways of managing our assets.

Along with these measures, we are establishing the risk management system required for banking operations and working on ways to adopt more sophisticated methods for measuring risks.

CSR activities

We have a strong commitment to CSR based on our policy of serving as “the most convenient and dependable bank in Japan.”

We assist senior citizens and people with disabilities and other special needs in many ways, such as by delivering pension payments and using braille to provide services. To assist victims of natural disasters, we provide ways for customers to transfer donations at no charge to support organizations and perform other services.

Environmental protection is another element of our CSR activities. We have established an Environmental Policy and participate in many environmental programs. For example, the ISO 14001 certification received by Japan Post now applies to our operations, and we participate in the Team Minus 6% energy-saving campaign of Japan's Ministry of the Environment.

2 Financial Condition

Deposits totaled ¥181,743.8 billion (¥182,384.3 billion including accrued interest) at the end of March 2008.

This includes time deposits of ¥117,887.7 billion.

Due to the recovery of ¥18,158.5 billion of deposits to the Fiscal Loan Fund, the balances of cash and due from banks, call loans, and marketable securities were all higher at the end of March 2008 than on October 1, 2007, immediately after privatization.

■ Assets, Liabilities, and Net Assets (Millions of yen)

Assets	212,149,182
Securities	172,532,116
Loans	3,771,527
Liabilities	204,072,327
Deposits*	181,743,807
Net assets	8,076,855

* Deposits including accrued interest totaled ¥182,384,346 million.

The negative effect of declines in deposits and investment trust sales was offset by an improvement in the interest margin as interest rates fell. The result was operating income of ¥1,328.9 billion.

Operating expenses amounted to ¥1,072.7 billion due to the benefits of cost-reduction programs.

Due to these factors, net operating income was ¥256.1 billion and net income was ¥152.1 billion.

The balance of securities was ¥172,532.1 billion.

Loans to the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency, and loans secured by deposits account for almost all of our loans.

At the end of March 2008, these loans totaled ¥3,771.5 billion, which was an extremely small percentage of total assets.

■ Net Operating Income and Net Income (Millions of yen)

Operating income	1,328,904
Interest income	1,265,087
Fees and commissions	59,556
Other operating income	703
Other income	3,557
Operating expenses	1,072,732
Interest expenses	394,863
Fees and commissions	9,704
Other operating expenses	1,218
General and administrative expenses	617,787
Other expenses	49,158
Net operating income	256,171
Extraordinary gain	159
Extraordinary loss	490
Income taxes	132,277
Deferred taxes	(28,617)
Net income	152,180

3 Management Strategies

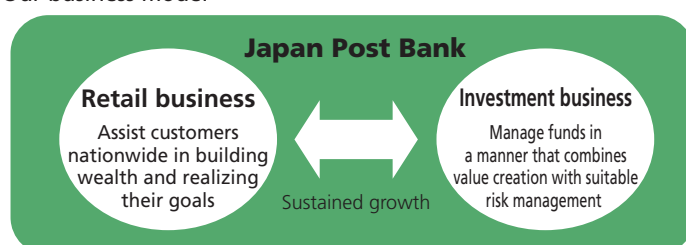
Our Business Model

The operations of Japan Post Bank are guided by the management philosophy of becoming “the most convenient and dependable bank in Japan.” We will do this by listening to customers’ voices as our guide and basing operations on four key words: dependability, innovation, efficiency, and expertise.

Guided by this philosophy, we are aiming to achieve sustained growth by establishing a business model with two elements. The first is the business model for both retail and investment operations. The second is the business model for agency operations (collaboration between parties that create and sell products).

Japan Post Bank relies on Japan Post Network (a sales agent) as its primary sales channel. Consequently, it is vital to maintain a sound relationship with this company. We use a unified platform for agents and our branches, which is based on an IT infrastructure. With this platform, we extend support to Japan Post Network and collaborate in the fields of compliance, operational management, sales support, training, and other aspects of operations. The two companies share the resulting benefits from growth in earnings and higher efficiency. Using this integrated operating system for Japan Post Bank and Japan Post Network will better enable us to leverage the collective strengths of the Japan Post Group.

Our business model



Japan Post Network (Sales agent)

- Extend support and collaboration by using a unified platform for sales agents and our branches
- Share the benefits of earnings growth and higher efficiency

Use unified operations to fully utilize the Group's collective strengths

Major Initiatives of Japan Post Bank

Japan Post Bank is aiming to make an IPO in 2010, at the earliest. With this goal in mind, we are focusing on the following three areas to strengthen our management base as a private-sector bank.

1. Improve internal control systems as soon as possible

We view compliance and managing operational quality as important issues to earn the trust of customers so that they can use our services with confidence. This is why we are raising the efficiency of our branches and administration service centers in order to establish an even more effective operating framework.

As one way to establish this framework, we have established rules for important activities, such as the provision of proper explanations to customers as required by the Financial Instruments and Exchange Act. We back this up with enhanced training programs, a more effective system for extending guidance to our branches and Post Offices, and the necessary computer systems. Through these measures, we plan to upgrade our operational quality, provide better support for compliance programs, and improve other aspects of internal management.

2. Build our retail banking business model

A nationwide customer base and service network covering all areas of Japan are two of our core strengths.

We want to further deepen the ties between our branches and the Post Offices that make up this service network. This will better enable us to provide customers everywhere in Japan with simple and basic products and services.

In April 2008, we obtained permission to issue credit cards, sell variable annuities for individuals and other life insurance policies, and serve as an intermediary for consumer loans.

Going forward, we plan to join the Zengin Data Telecommunication System, which handles domestic fund transfers, broaden the menu of “Yucho Direct” (our online banking services), and take other actions to expand our IT system infrastructure. Plans also include increasing our lineup of products and services to serve our customers in even more ways. These measures demonstrate our commitment to meeting the growing range of customer needs.

3. An investment business model and advanced ALM

We currently rely primarily on Japanese government bonds to earn income from investments. We are starting to diversify our sources of investment income by adding more ways to use our funds while using suitable methods to manage and control risks.

Another theme is using more advanced asset-liability management (ALM) techniques. These measures will allow us to create more value from our investments and earn a more consistent stream of income.

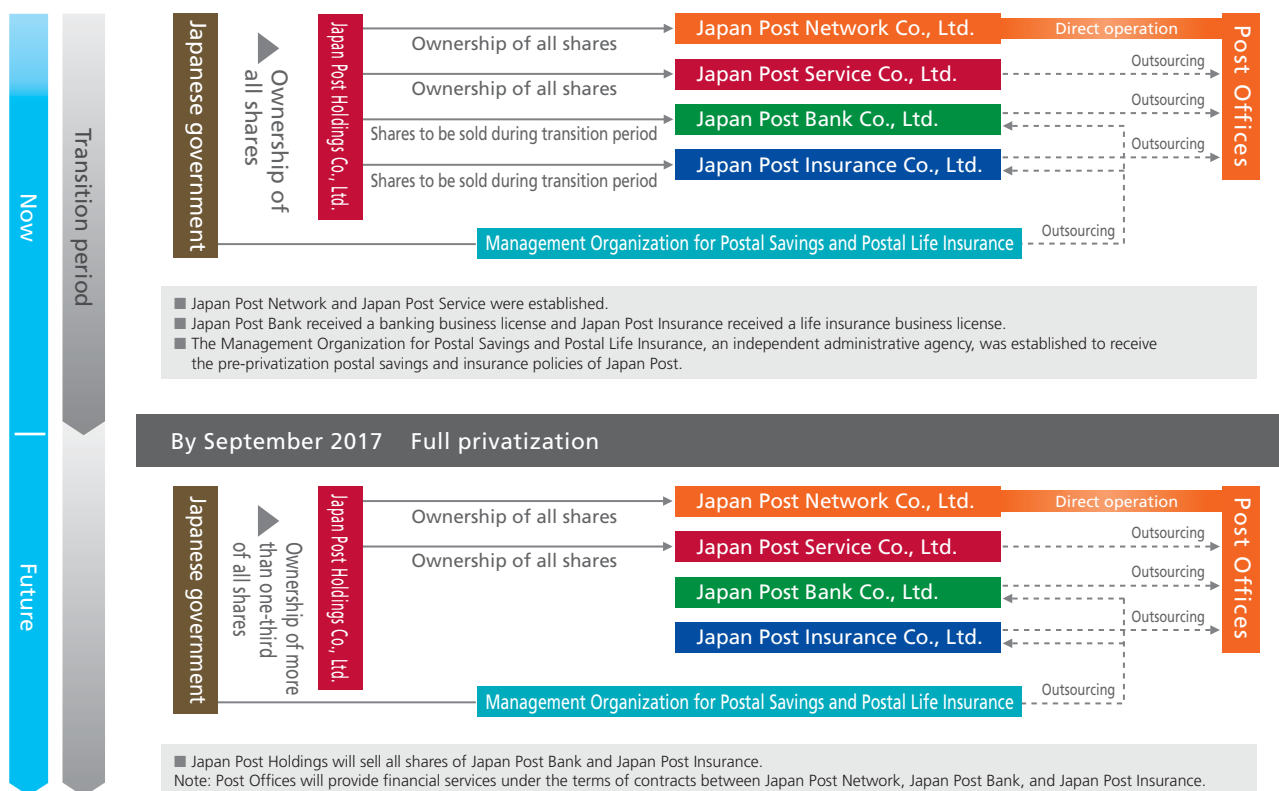
Interest rate swaps are one example of how we control risk associated with fluctuations in interest rates. Using such methods makes it possible to earn profits while controlling the impact of market volatility on our performance. Furthermore, while carefully evaluating associated credit risk, we plan to increase our investments in syndicated loans and other market-based, credit-related assets.

Privatization Timetable

We plan to complete the final stage of privatization by the end of September 2017.

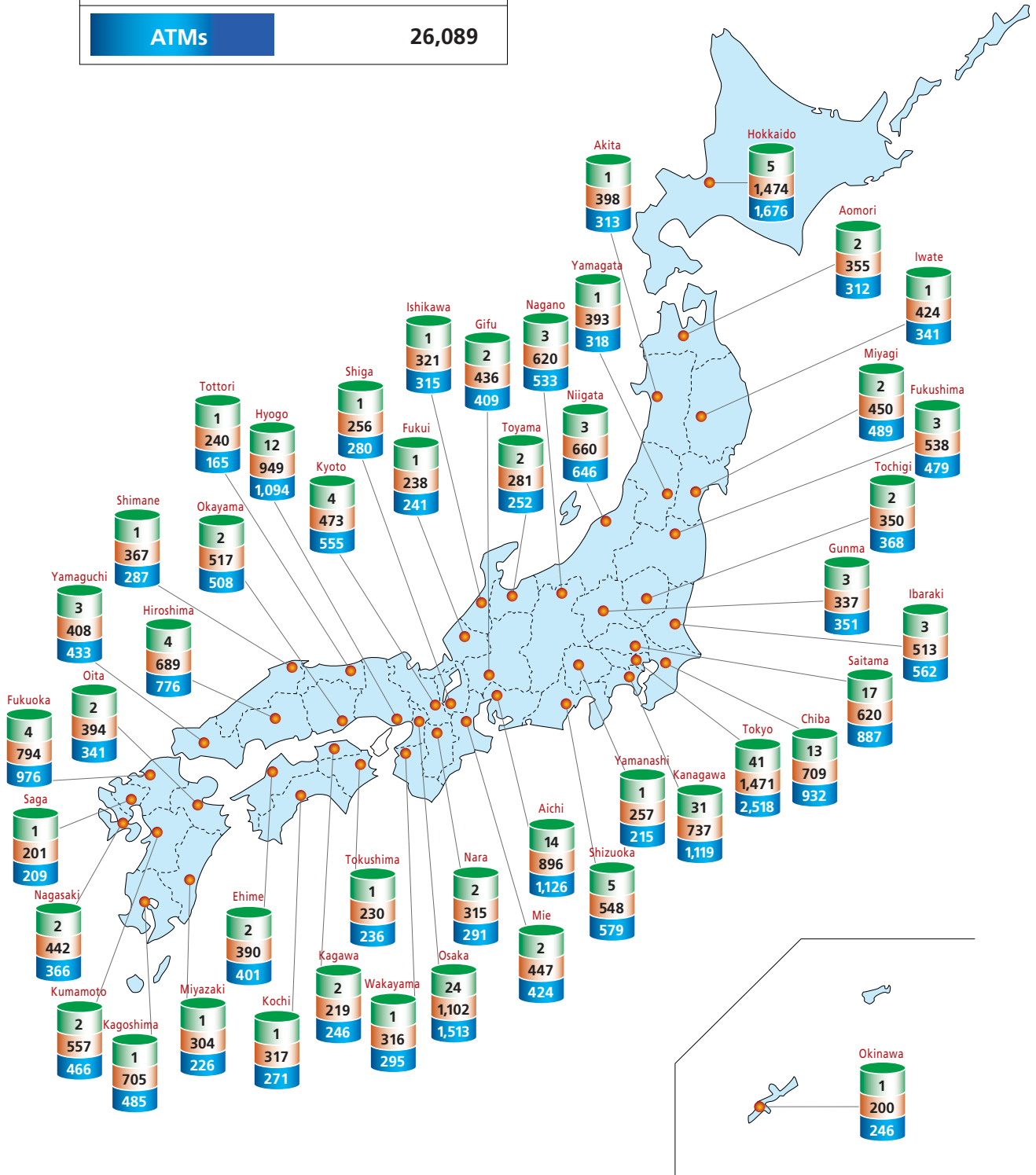
All shares of Japan Post Bank, which are currently owned by our sole shareholder, Japan Post Holdings, are to be sold to other investors by September 30, 2017.

Our goal is to list our shares on the Tokyo Stock Exchange three years after our privatization at the earliest and no later than four years afterward, assuming that we can receive a special exemption from the exchange for its listing approval standards. We believe this listing will allow us to increase our customers' trust and our market evaluation. Within about five years of our listing, we plan to achieve complete privatization.



Number of Business Offices and ATMs Installed by Prefecture

Branches	234
Post Offices	23,860
ATMs	26,089



0 250 500
km



INDEX

Products and Services	9
1 New Products and Services	10
2 Investment Trust Sales at Japan Post Bank and Post Offices	11
Investment Trusts Offered by the Bank	11
Investment Trust Sales	12
3 Other Products and Services	13
1) Deposits	13
2) Domestic Remittances	13
3) International Remittances	13
4) Consumer Loans	13
5) Investment Products	14
6) Credit and Debit Cards	14
7) Other Services	14

Products and Services

1 New Products and Services

To offer customers a broader lineup of products and services, Japan Post Bank is using the approval process provided for in the Law Concerning Postal Privatization to introduce a number of new activities.

Introduction of the JP BANK CARD (May 2008)

Japan Post Bank's JP BANK CARD service is as both an ATM card and a credit card. We accept applications for this card at all 233 branches and all Post Offices (about 20,000 locations) in Japan.

Customers can use the JP BANK CARD for shopping as well as eligible utility payments and other payments. Among its many features, the card has a reduced annual fee and lower fees for revolving credit for shopping purchases. The card's advantages make it ideal for use as the primary ATM and credit card of each and every customer.

JP BANK CARD that also function as an ATM card are compatible with the Edy e-money system, and other cards are compatible with the contactless iD credit payment service. In addition, we can issue family cards, ETC cards, iD (cell phone) cards, and PiTaPa cards.



JP BANK MasterCard



JP BANK VISA CARD

Start of Variable Annuity Sales (May 2008)

Japan Post Bank started selling variable annuity policies at 82 branch offices throughout Japan in May 2008. We plan to expand sales to all 233 branch offices by January 2009. We offer a lineup of policies that are simple and easy to understand. This allows us to meet the requirements of individuals of all ages with regard to retirement planning.

Variable annuity policies

● Fixed period type

- *Tanoshimi YOU* (Underwriter: Sumitomo Life)

This is a simple policy that invests a lump-sum premium in the special account during the fixed period, which is at least 10 years. At the end of this period, the policyholder can receive a pension or a single payment.

- Three-Step Annuity (Underwriter: ING Life Insurance)

This product combines three functions: to increase policy value, to protect policy value, and to receive payments such that the Step-Up Base Amount is the minimum guaranteed for the annuity capital at the maturity of the fixed period (10 years or more).

● Early payment type

- *Shiawase Teikibin*, or "Happiness Annuity" (Underwriter: Mitsui Sumitomo MetLife Insurance)

Policyholders are eligible to begin receiving lifetime annuity payments anytime on or after the first anniversary of the purchase date. The insurer guarantees the annuity payments will continue until the death of the insured, even if the policy's account value falls to zero due to withdrawals or market fluctuations.

● Accumulation type

- Yu-Yu Accumulation-Type VA (Underwriter: ALICO Japan)

"Yu-Yu Accumulation-Type VA" is an innovative VA product which is "easy to start" for customers. The concepts of this product are:

- Single premium with regular premium payments of a minimum period of 10 years
- Principal guaranteed

Mortgage and Consumer Loan Intermediary Service Using Suruga Bank Alliance (May 2008)

Japan Post Bank serves as an intermediary for mortgage loans and other loans for individuals that are extended by Suruga Bank Ltd. Our alliance with this bank allows us to offer these loans at 50 branches in the Tokyo, Nagoya, and Osaka regions. This alliance makes it possible for both banks to meet a broader range of financing and asset building requirements in order to help customers achieve their goals.

Mortgage and consumer loans

- Mortgage loan: *Yumebutai*

There are 15 types of loans in this category in order to help as many people as possible own their own home. Loans are structured for small business owners and other businesspeople, working women, active seniors, and other customers.

- Loans for specific purposes: *Yumekouro*

There are two types of these loans, one for a specific purpose and the other to provide funds to care for a parent. The loans have the flexibility to meet needs ranging from providing funds for education to helping an individual care for an aging parent.

- Card loan: *Shitaku*

True to its name *Shitaku* ("preparation" in Japanese), this card loan is ideal for helping customers prepare for achieving a particular goal.



Japan Post Bank and Suruga Bank announce their alliance



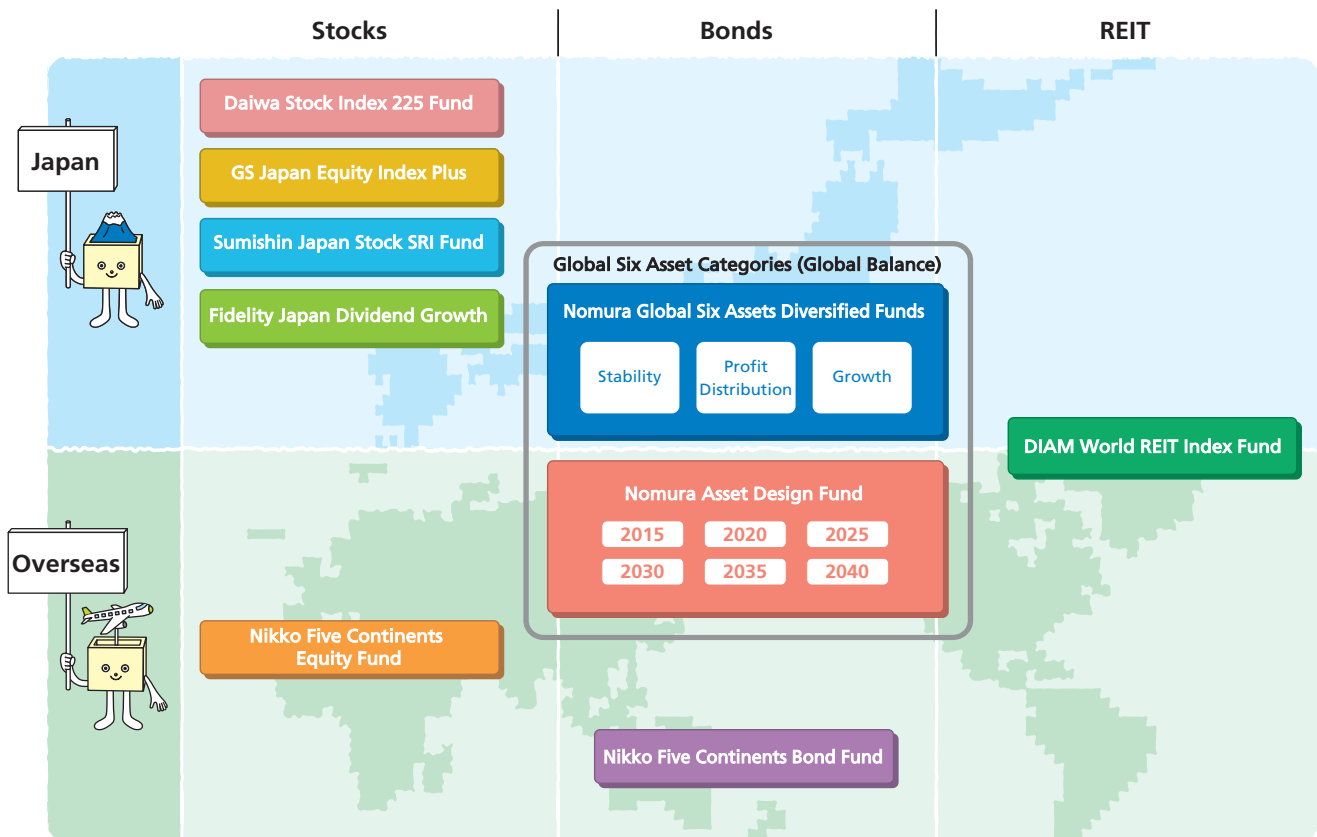
Variable annuity pamphlets

2 Investment Trust Sales at Japan Post Bank and Post Offices

Investment Trusts Offered by the Bank

Japan Post Bank started its investment trust sales business with a lineup of three types (five funds). The lineup increased to seven types of investment trusts (nine funds) in June 2006 and to nine types (16 funds) in October 2006. With this carefully selected lineup of funds, customers can assemble a fund portfolio that matches their objectives and risk tolerance. We offer funds that invest in Japanese and foreign stocks,

bonds, real estate investment trusts, and other assets to offer customers many options for diversification. We will continue to enlarge the lineup of investment trusts, selecting only funds that are appropriate for sale by Japan Post Bank and Post Offices, in order to meet even more of the investment needs of our customers.



■ Profiles of Funds Sold by Japan Post Bank

Category	Fund	Asset management	Description
Balanced	Nomura Global Six Assets Diversified Funds (Stability Type, Profit-Distribution Type, Growth Type)	Nomura Asset Management	A balanced fund that invests in index funds for six asset categories covering Japanese stocks, foreign stocks, bonds, and REITs
	Nomura Asset Design Fund (2015/2020/2025/2030/2035/2040)	Nomura Asset Management	A fund that invests in index funds for six asset categories covering Japanese stocks, foreign stocks, bonds, and REITs and automatically adjusts portfolio composition as the target year approaches, with the goal of long-term growth in fund assets
Japanese stocks	Daiwa Stock Index 225 Fund	Daiwa Asset Management	An index fund that tracks the Nikkei Stock Average (225 companies)
	GS Japan Equity Index Plus	Goldman Sachs Asset Management	A fund that tracks TOPIX but seeks to earn a slightly higher return
	Sumishin Japan Stock SRI Fund	STB Asset Management	A fund that invests in companies with a strong commitment to corporate social responsibility
	Fidelity Japan Dividend Growth	Fidelity Investments Japan	A fund that invests in Japanese stocks and seeks to earn a dividend return that is higher than the market average
Overseas stocks	Nikko Five Continents Equity Fund	Nikko Asset Management	A fund that seeks a high return by investing in stocks in 48 countries other than Japan, including both industrialized and emerging economies
Overseas bonds	Nikko Five Continents Bond Fund	Nikko Asset Management	A fund that seeks to provide stable monthly distributions by investing in national government bonds and other bonds in 38 countries other than Japan, including both industrialized and emerging economies
Real estate	DIAM World REIT Index Fund	DIAM Asset Management	A fund that invests in real estate investment trusts worldwide and seeks to track the performance of the entire REIT market

Investment Trust Sales

Investment trust sales

■ The following is a summary of investment trust activities as of March 31, 2008.

● Cumulative sales (contract basis)

No. of investment trust sales	3,586,022
No. of investment trust accounts	508,495
Net assets	¥978,531 million

Note: Net assets are rounded to the nearest million yen.

3 Other Products and Services

(As of July 1, 2008)

1) Deposits

Product or service description	Content
Ordinary deposits	Useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and annuities, and many other purposes.
TEIGAKU deposits	Deposits that 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.
Time deposits	Deposits with 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.

2) Domestic Remittances

Product or service description	Content
Remittances	A simple and low-cost method for sending money anywhere in Japan. There are two types: ordinary and small amounts.
Transfers	An easy and reliable means of sending money by using a transfer account. Inpayment and outpayment can be handled normally or by electronic transfer for urgent transfers.

3) International Remittances

Product or service description	Content
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 giro account.
Account transfer	The remittance amount and charge are deducted from the remitter's integrated account or giro account and the remittance amount is transferred to an overseas-payee's bank or postal giro account.

4) Consumer Loans

Product or service description	Content
Loan intermediary service	Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans, and the card loans of Suruga Bank, based on an alliance with this bank. Customers can apply for these loans at selected Japan Post branches, by telephone, or via the Internet.

5) Investment Products

Product or service description	Content
Japanese government bonds (JGBs) and bond-secured loans	Sales of JGBs to be sold under the new OTC sales system (two-, five-, and ten-year maturities) and the nonmarketable JGBs for individual investors (five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds.
Investment trusts	Japan Post Bank branches and Post Offices serve as agents for the sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions.
Variable annuities	Intermediary services for variable annuity policies as the sales agent for life insurance companies.

6) Credit and Debit Cards

Product or service description	Content
Credit cards (JP BANK CARD)	Japan Post Bank issues the JP BANK CARD, which is both an ATM card and a credit card. (Plans are under way to begin issuing a JCB-brand card by the end of 2008. In addition, we offer a credit card that does not double as an ATM card.) We also offer family cards, ETC cards, iD (cell phone) cards, and PiTaPa cards. Customers apply for cards by completing and submitting a JP BANK CARD application, available at directly operated branches and Post Offices.
Debit cards	Customers can use debit cards at department stores and retailers affiliated with the Japan Electronic Payment Promotion Organization. The purchase amount is promptly debited from the savings account.

7) Other Services

Product or service description	Content
ATM/CD alliance	ATM cards and other eligible cards issued by affiliated financial institutions can use Japan Post Bank ATMs, and vice versa.
Foreign currency exchange	Eight currencies: U.S. dollar, Chinese yuan, Canadian dollar, pound sterling, South Korean won, Australian dollar, Swiss franc, and euro (Chinese yuan is exchangeable only at certain locations.)
Traveler's checks	Seven currencies: U.S. dollar, Canadian dollar, pound sterling, Australian dollar, Swiss franc, euro, and Japanese yen. (As of September 16, 2008, we no longer sell Swiss franc traveler's checks.)



INDEX

Becoming a Reliable Company	15
1 Corporate Governance	16
2 Internal Audits	17
3 Compliance	18
Basic Policy	18
Compliance System	18
Compliance Activities	19
4 Risk Management	20
Risk Categories and Definitions	20
Risk Management Systems	21
Response to Basel II	21
Integrated Risk Management	22
Market Risk Management / Market Liquidity Risk Management	23
Funding Liquidity Risk Management	24
Credit Risk Management	25
Operational Risk Management	28
5 Corporate Social Responsibility	30
Services Accessible to Everyone	30
Social and Community Activities	31
Environmental Activities	32
6 Improving Customer Satisfaction	33
7 Upgrading Security	34
Tighter Security with IC ATM Cards	34
Measures to Keep Customers Vigilant	36
Tighter Security for Internet Banking	36
8 Protection of Personal Data	37

Becoming a Reliable Company

1 Corporate Governance

Japan Post Bank uses the company with committees system for the purposes of reaching decisions quickly and improving the transparency of management. There are three committees: the Nomination Committee, Audit Committee and Compensation Committee. The Board of Directors and these three committees provide a reliable system for the oversight of the management of the Bank.

■ Board of Directors and Three Statutory Committees

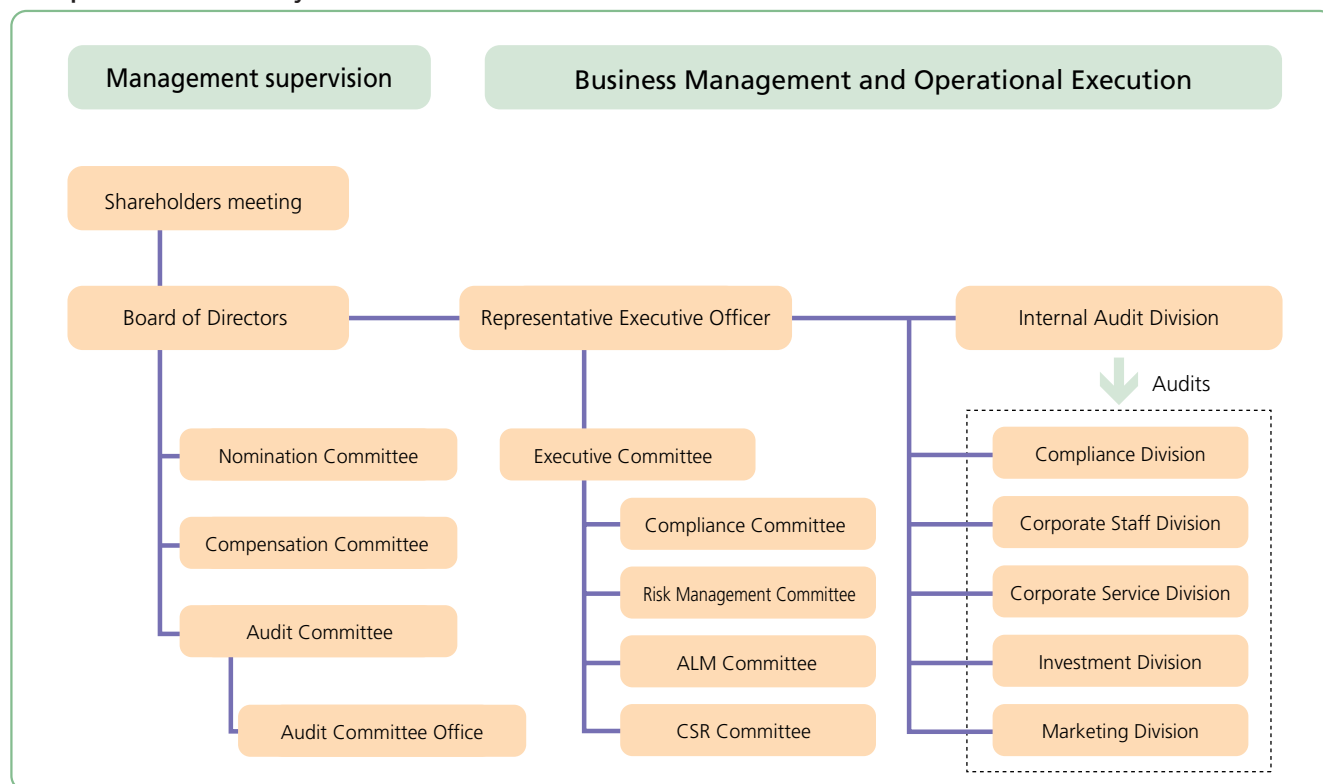
Japan Post Bank has six directors, including two directors who also serve as executive officers of the Bank and four external directors. Under the Board of Directors, there are three statutory committees (Nomination, Audit, and Compensation), each with a majority of external directors. These committees work with the Board of Directors to supervise management.

■ Executive Officers, Executive Committee, and Special Committees

The executive officers, who are selected by the Board of Directors, are responsible for conducting business operations.

The Representative Executive Officer conducts business operations by making full use of their authority and responsibilities delegated by the Board of Directors. The Executive Committee, which is an advisory body to the Representative Executive Officer, discusses important matters involving the execution of business operations. To assist the Executive Committee regarding subjects requiring specialized discussions, there is a Compliance Committee, Risk Management Committee, ALM Committee, and CSR Committee.

■ Corporate Governance System



■ Roles of the Special Committees

● Compliance Committee

This committee holds discussions and submits reports concerning the compliance system, development of compliance programs, and the progress of these activities.

● Risk Management Committee

This committee holds discussions and submits reports concerning the risk management framework, including the development of the risk management system and operating policies and the status of risk management.

● ALM Committee

This committee holds discussions and submits reports concerning ALM, including the development of a basic plan and operating policies for ALM, the determination of risk management items, and the progress of these activities.

● CSR Committee

This committee holds discussions and submits reports concerning the development of a basic policy and action plan for CSR and the progress of these activities.

2 Internal Audits

Japan Post Bank has an Internal Audit Division at the head office that is independent of departments engaged in business operations. The role of the Internal Audit Division is to help ensure that business operations are conducted in an efficient and economical manner. This provides a system for the timely and suitable collection of important information about the activities of departments that have been audited.

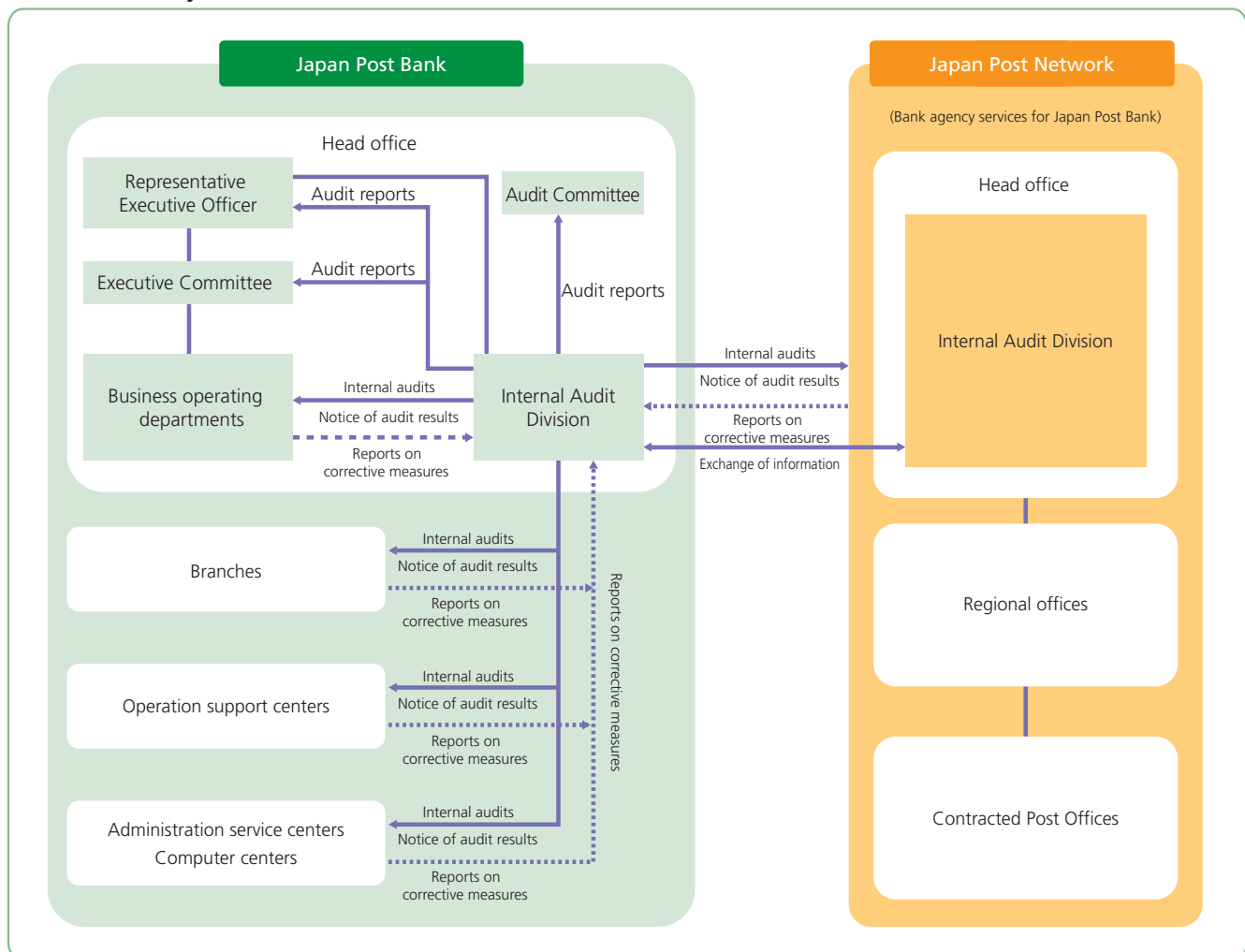
The Internal Audit Division performs audits covering all activities of head office departments, branches, operation support centers, administration service centers, and computer centers. Audits are used to check the status of business operations and verify the suitability and effectiveness of internal

control systems, such as compliance and risk management systems.

We also perform audits of Japan Post Network, which performs bank agency services under consignment. These audits are used to check the status of compliance, risk control, and other internal control systems associated with bank agency operations.

For significant problems revealed by these audits, we submit directions for taking corrective actions and making improvements and then monitor subsequent progress. In addition, these problems are reported to the Representative Executive Officer, Executive Committee, and Audit Committee.

Internal Audit System



3 Compliance

Basic Policy

We regard compliance as the adherence to laws and regulations as well as internal rules, social standards for behavior, and corporate ethics by all executives and employees. We view

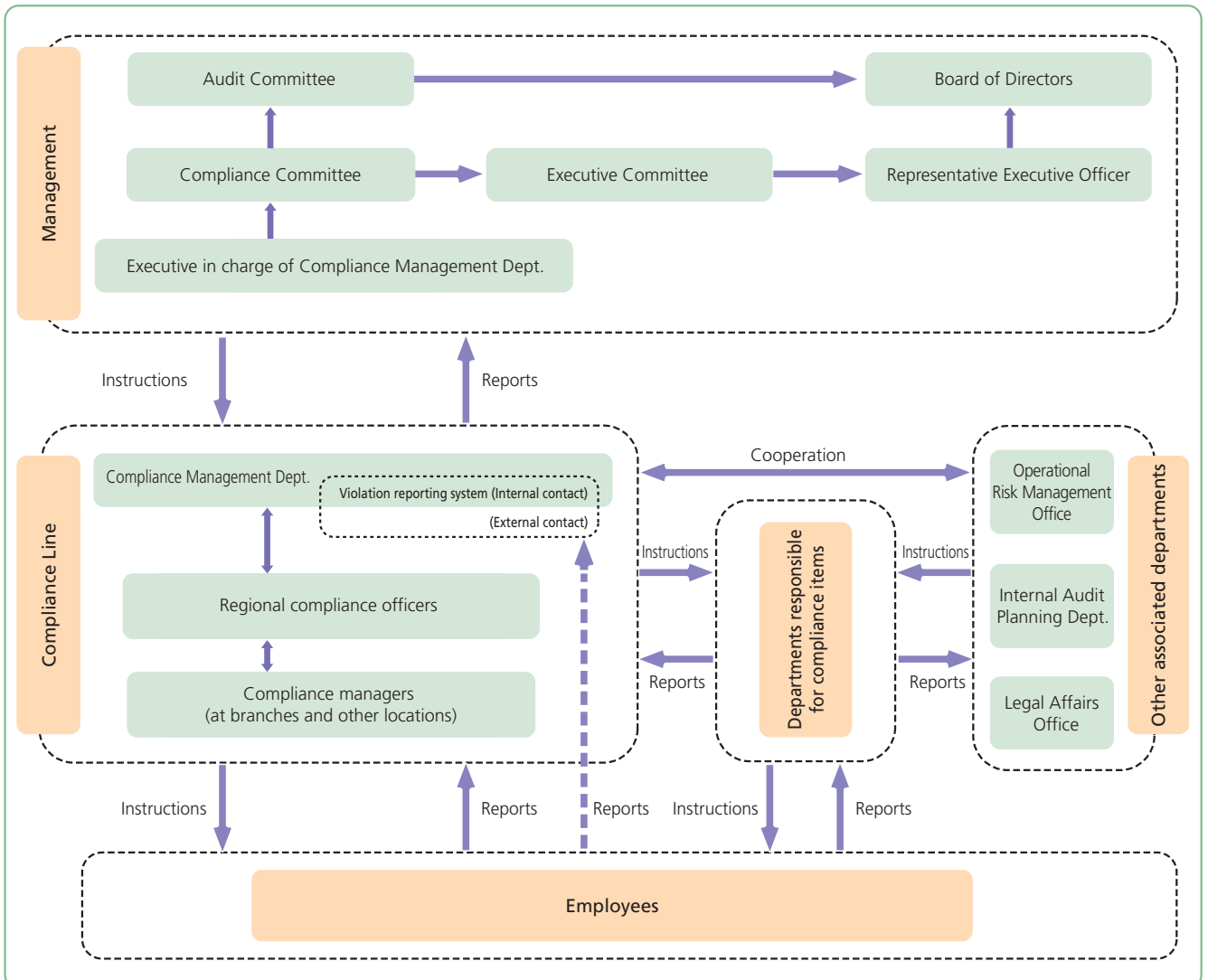
compliance as one of the most important management missions, aiming to be the most dependable bank in Japan, and conduct rigorous compliance activities.

Compliance System

Japan Post Bank has a Compliance Committee made up of executives associated with compliance activities. This committee discusses important matters related to compliance and reports on the progress of these matters. In addition, we have a Compliance Management Department that, under the supervision of the executive in charge of compliance, plans compliance activities and supervises the execution of these activities.

Compliance officers, who are independent of business operations, are assigned to certain departments and branches for the purpose of monitoring the status of compliance activities. In addition, every department and branch has a compliance manager who conducts compliance activities within the division and provides guidance.

■ Compliance System



Compliance Activities

Every year, we establish a compliance program as a concrete action plan for conducting compliance activities. This program defines priority themes and provides a blueprint for employee training as part of rigorous compliance measures.

To provide a specific guide for compliance, we have established a compliance manual that explains compliance activities. This manual is used for training executives and employees so that everyone fully understands the contents. In addition, all executives and employees have a compliance handbook that contains the minimum amount of information selected from the compliance manual that employees should know. This handbook helps further raise awareness of the importance of compliance.

In addition to these activities, there are internal and external channels for directly reporting compliance violations that are difficult to report to compliance managers. Reports include compliance violations that an employee suspects may constitute a violation. This reporting system helps prevent the occurrence of compliance violations, stop improper behavior from becoming widespread, and provide for the rapid resolution of compliance problems.

As described in this section, Japan Post Bank has established compliance programs and uses the above methods to implement these programs. This approach gives us a compliance system that can function effectively.

4 Risk Management

The financial services business is becoming increasingly complex and diverse along with advances in deregulation, globalization, and information technology. All these developments are making risk management increasingly vital to the successful operations of financial institutions. Japan Post Bank positions risk management as one of the most important management missions. We are continually working on upgrading our risk management systems in order to better monitor and control the risks associated with our activities.

The basic principle of risk management at the Bank is to utilize capital productively by managing risk appropriately in

accordance with management strategies and the characteristics of each risk. Our objective is to increase corporate value while preserving financial soundness and conducting proper business activities.

Furthermore, we have a system that includes suitable checks and balances. This ensures that we can prevent conflicts of interest with regard to the authority and responsibilities within our risk management organization and associated executives and employees.

Risk Categories and Definitions

Japan Post Bank manages risks in accordance with each risk characteristic and based on the following risk categories and definitions.

Risk category	Definition
Market risk	Risk of incurring losses due to changes in the value of assets and liabilities (including off-balance-sheet items) due to fluctuations in interest rates, foreign exchange rates, stock prices, and other items. Also the risk of incurring losses due to changes in income produced by assets and liabilities.
Market liquidity risk	Risk of incurring losses due to the inability to conduct market transactions or the need to conduct transactions at prices much less favorable than normal because of market turmoil or other reasons
Funding liquidity risk	Risk of being unable to procure adequate funds due to a timing mismatch between investments and procurement or an unexpected outflow of funds and the risk of incurring losses due to the need to procure funds at an interest rate much higher than normal (cash flow risk)
Credit risk	Risk of incurring losses caused when assets (including off-balance-sheet assets) decline in value or become worthless due to deterioration in the financial condition of a party to which credit has been extended
Operational risk	Risk of incurring losses due to improper actions by executives and employees or an improper computer system operation with regard to conducting business activities or to an external event
Processing risk	Risk of incurring losses due to the failure of an executive or employee to perform clerical processes accurately or to an error, illegality, or other improper action conducted by an executive or employee. The management of clerical risks includes improper activities by external parties associated with clerical operations.
Computer system risk	Risk of incurring losses due to the suspension of computer system operations, an error in system operations, a system malfunction, or other problem. Also the risk of incurring losses caused by the illegal or improper use of computers.
Information assets risk	Risk of incurring losses due to the loss, alteration, improper use, or leak of or other problem involving information that is caused by a computer system malfunction, improper clerical process, or other problem
Legal risk	Risk of losses from an order to pay damages or a fine or a decline in the company's reputation among customers resulting from a legal action due to the inability to adequately comply with laws, regulations, and other legal requirements (laws, orders, internal regulations, procedures for clerical tasks, etc.)
Human resources risk	Risk of incurring losses due to the unfair, discriminatory, or other improper use of human resources
Tangible assets risk	Risk of incurring losses resulting from damage to property and equipment from natural disasters, fires, and other incidents
Reputational risk	Risk of incurring losses due to the adverse impact on the company's reputation or public image of unfounded rumors, either public or partially public, that cause a loss of customers or sources of funds, deterioration in trading terms, or other negative developments

Risk Management Systems

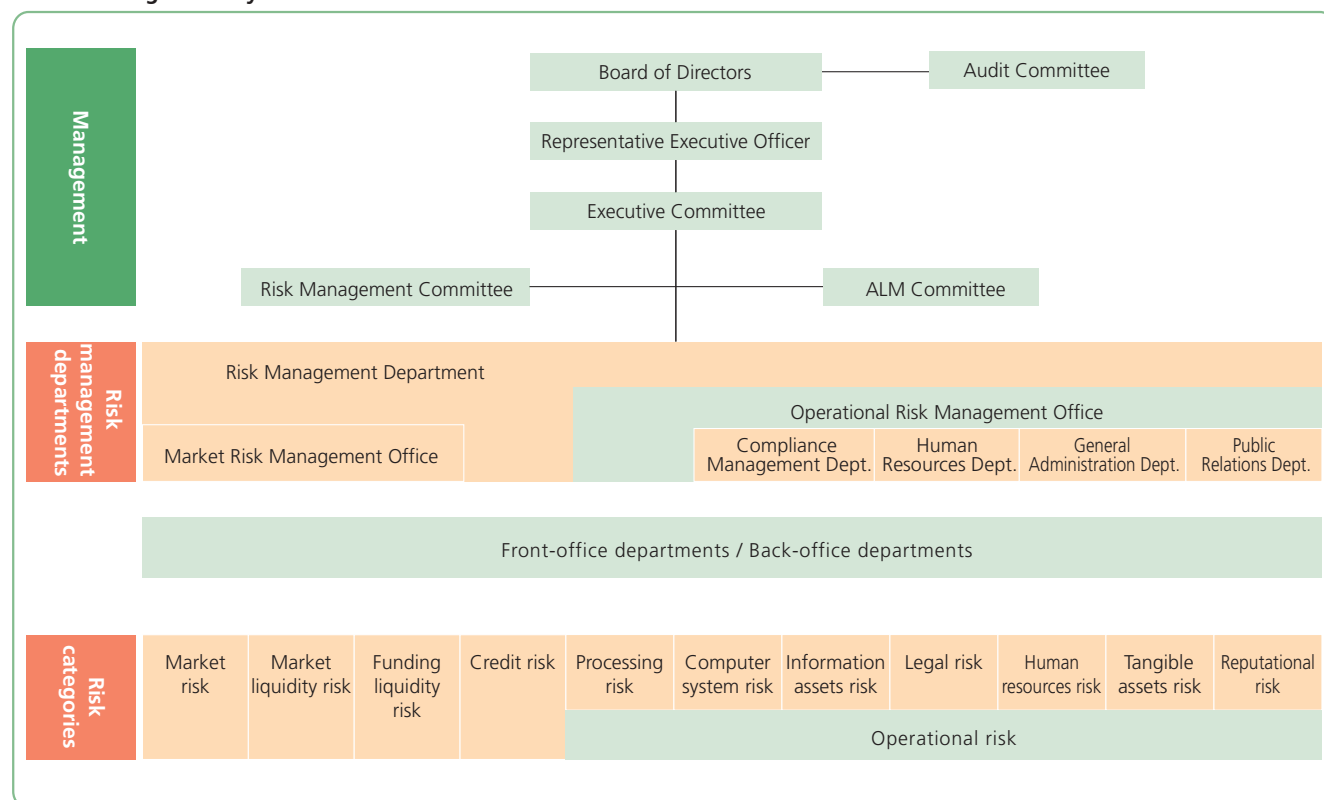
Japan Post Bank has established departments to manage each type of risk and has a Risk Management Department for the integrated management of all risks in an effective manner. The Risk Management Department is independent of departments that conduct business operations.

Operational risk management, which primarily involves ensuring that business operations are conducted properly, is managed by the Compliance Division (Operational Risk Management Office).

The Executive Committee has specialized advisory committees (Risk Management Committee and ALM Committee) to assist in risk management and the operation of risk management systems. These advisory committees submit reports on risk management based on the characteristics of each risk, and discuss risk management policies and activities.

When a new product or business is introduced, a risk investigation is performed in advance so that a suitable risk management system can be established.

Risk Management System



Response to Basel II

The Basel Committee on Banking Supervision established an international standard for capital adequacy in order to ensure the soundness of banks. Subsequently, this standard has been revised to more closely align capital requirements with the actual nature of risks that banks may encounter, resulting in a capital adequacy framework called Basel II. This revised capital adequacy framework became effective in Japan at the end of March 2007.

The Basel II Accord has three pillars. The first is a minimum capital requirement that aligns a bank's capital with the major components of risk that banks face. The second pillar is an internal and regulatory agency review that provides a framework for dealing with all risks not covered by the first

pillar, such as banking account interest rate risk, credit concentration risk, and other risks. The required amount of capital in relation to these risks must be determined by banks and regulatory agencies. The third pillar increases the amount of information that banks must disclose for the purpose of improving market discipline. Japan Post Bank is complying with all provisions of Basel II.

When calculating the capital adequacy ratio, credit risk and assets are calculated using the standardized approach, and a monetary value of operational risk is determined using the basic indicator approach. An exception is allowed for not including a figure for market risk.

Integrated Risk Management

Japan Post Bank divides risks that it manages into five categories: market risk, market liquidity risk, funding liquidity risk, credit risk, and operational risk. We manage these risks using both quantitative and qualitative methods.

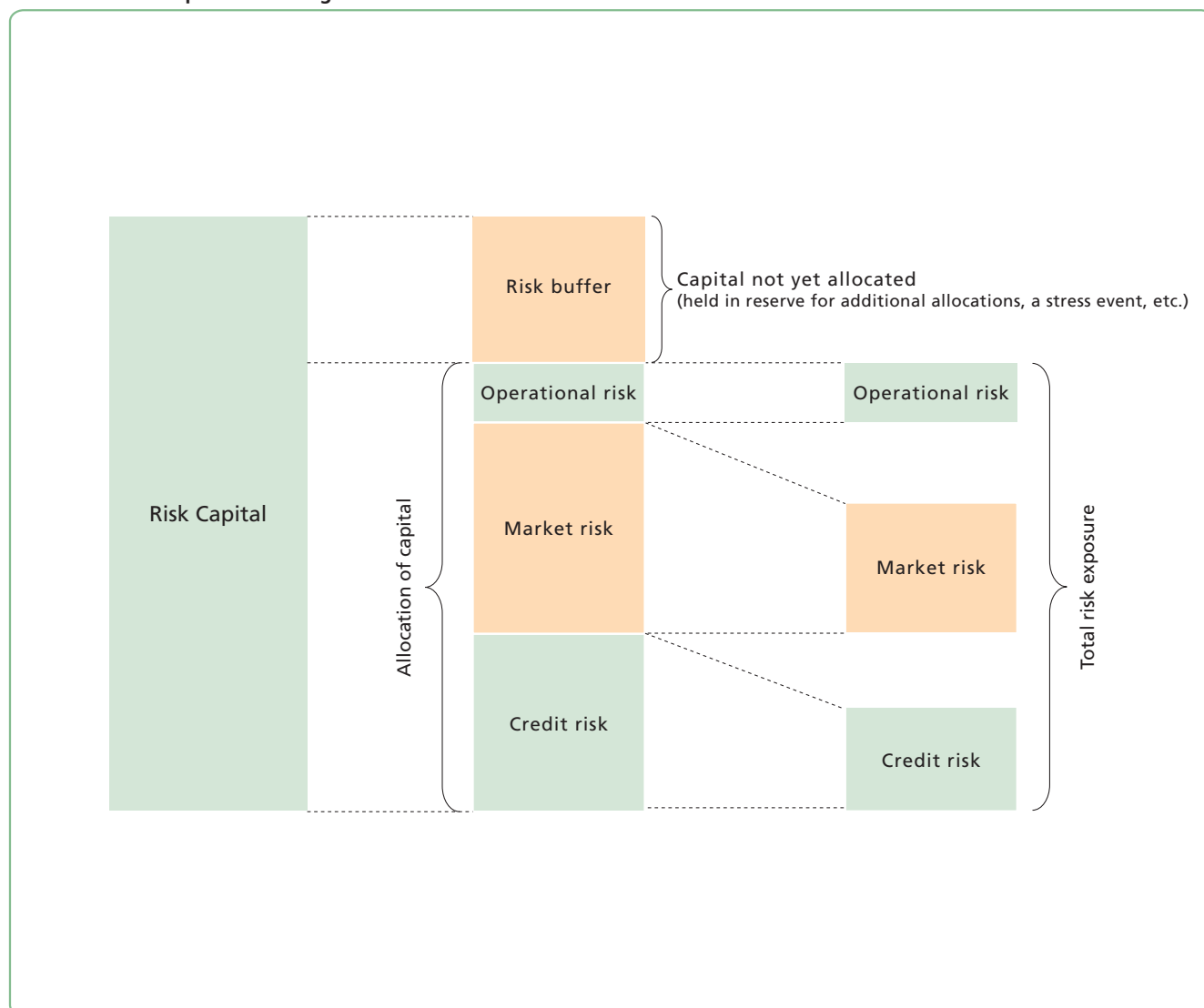
For quantitative methodology, we use integrated risk management in which risks are quantified and controlled. This is done by establishing in advance the total amount of equity capital that can be used to take on risk. This capital is then allocated to businesses that take on risk in accordance with the types of risk and nature of each business activity. To quantify market risk and credit risk, we use value at risk (VaR), which is a unified measurement of risk that is both objective and appropriate. VaR is a method for calculating the maximum expected loss based on assets and liabilities currently held for

a given probability (the confidence level) and period of time. This approach makes it possible to control the amount of risk exposure.

For qualitative methodology, we manage risks based on the nature of each risk in conjunction with quantitative risk management. For example, we have established an integrated PDCA (plan, do, check, action) cycle for operational risk that includes the recognition, evaluation, management, and reduction of this risk.

Allocation of capital used for taking on risk is determined by the ALM Committee and Executive Committee, with the final decision made by the Representative Executive Officer.

Allocation of Capital for Taking on Risk



Market Risk Management / Market Liquidity Risk Management

1. Market Risk Management

Japan Post Bank has a market risk management system that reflects the characteristics of its business activities and risk profile. Market investments (Japanese government bonds) account for most of our assets and TEIGAKU deposits account for most of our liabilities.

We quantify market risk by using the VaR statistical approach. Then, we hold the amount of market risk to within the amount of capital that can be allocated in accordance with our equity capital and other indicators of our financial resources. We do this by establishing, monitoring, and managing limits for markets, losses, and other items. In addition, we perform stress tests to be prepared for sudden market movements that exceed the range of our statistical estimates.

Due to the importance of interest rate risk in our operations, we have a system for appropriately monitoring interest rates from many perspectives, including the use of earnings simulations based on a variety of scenarios.

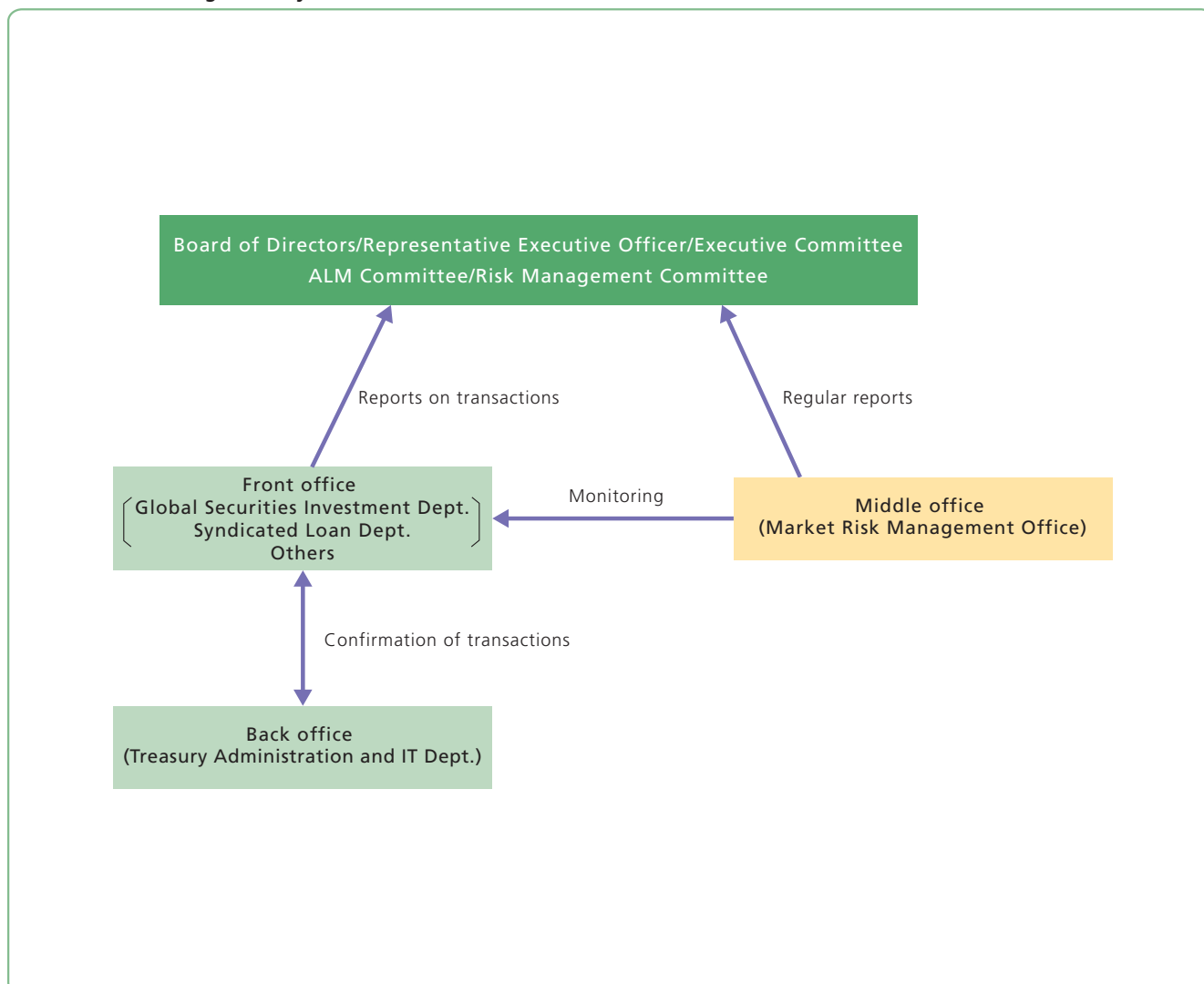
To provide a system of checks and balances for market risk management, we have a Risk Management Department (Market

Risk Management Office) that is positioned as a “middle office” department that is independent from our front office and back office operations.

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

Daily reports are submitted to senior management concerning the amount of market risk exposure (VaR) and compliance with market risk limits, loss limits, and other items. This makes it possible to reach the proper decisions quickly. In addition, we periodically perform risk analysis using back testing and stress testing and report the results of these tests to the ALM Committee and others. By conducting these activities, we are aiming to maintain a consistent level of earnings while controlling market risk properly.

■ Market Risk Management System



2. Methodology for Measuring Market Risk

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

For liquid deposits, we deem as our core deposits the smaller of (a) the current balance (on the record date) less the maximum

annual outflow over the past five years and (b) 50% of current ordinary deposits (on the record date). We use five years as the maximum maturity (average of about 2.5 years). For TEIGAKU deposits, we base calculations on estimated future cash flows using a model.

3. Status of Market Risk

In fiscal 2007, the amount of market risk (VaR) in the banking operations of Japan Post Bank was as follows. Currently, we have only banking operations and conduct no trading operations.

■ Value at Risk (October 1, 2007 to March 31, 2008)

(Billions of yen)

	March 31, 2008	Maximum	Minimum	Average
Fiscal 2007	1,865.0	2,350.1	1,865.0	2,036.5

4. Stress Testing

VaR is the maximum expected loss at a certain probability based on historical data. Therefore, this figure is unable to properly monitor risk when there is extreme market volatility or when the assumptions used for VaR calculations are no longer valid. This is why we periodically conduct stress testing in order to determine the magnitude of losses that could result from

market volatility exceeding the range of assumptions used for our model. Stress-testing results are reported to the ALM Committee and others.

For stress tests, we use a number of scenarios, including the estimated effect of the largest movement in financial markets over the past decade.

5. Market Liquidity Risk Management

Our basic approach to market liquidity risk management is to monitor portfolio assets and market conditions, and perform appropriate management, for the purpose of ensuring adequate

market liquidity. The Market Risk Management Office monitors market liquidity risk along with market risk.

Funding Liquidity Risk Management

Our basic approach to funding liquidity risk management is to constantly monitor the environment for procuring funds, responding to changes in market conditions as required in a timely and appropriate manner. In addition, we manage the amount of liquid assets that we need to hold at all times to prepare for unexpected outflows of funds and other events.

Funding liquidity risk is monitored and analyzed by the Market Risk Management Office of the Risk Management Department.

When performing funding liquidity risk management, we establish indicators for cash flows and monitor and manage these indicators for the purpose of maintaining stable cash flows.

In addition, we have established three phases in accordance with the status of cash flows and trends in fund procurement: normal, required, and emergency. We have established procedures to follow during the required and emergency phases.

Credit Risk Management

1. Credit Risk Management

Japan Post Bank uses VaR to periodically measure the amount of credit risk. We establish, monitor, and manage credit risk limits, credit extension limits, and other limits so that the volume of credit risk does not exceed the amount of capital allocated for this risk in accordance with our equity capital and other indicators of our financial resources. In addition, we perform stress testing to be prepared for a decline in the financial soundness of borrowers resulting from a significant change in economic conditions that exceeds our statistical assumptions.

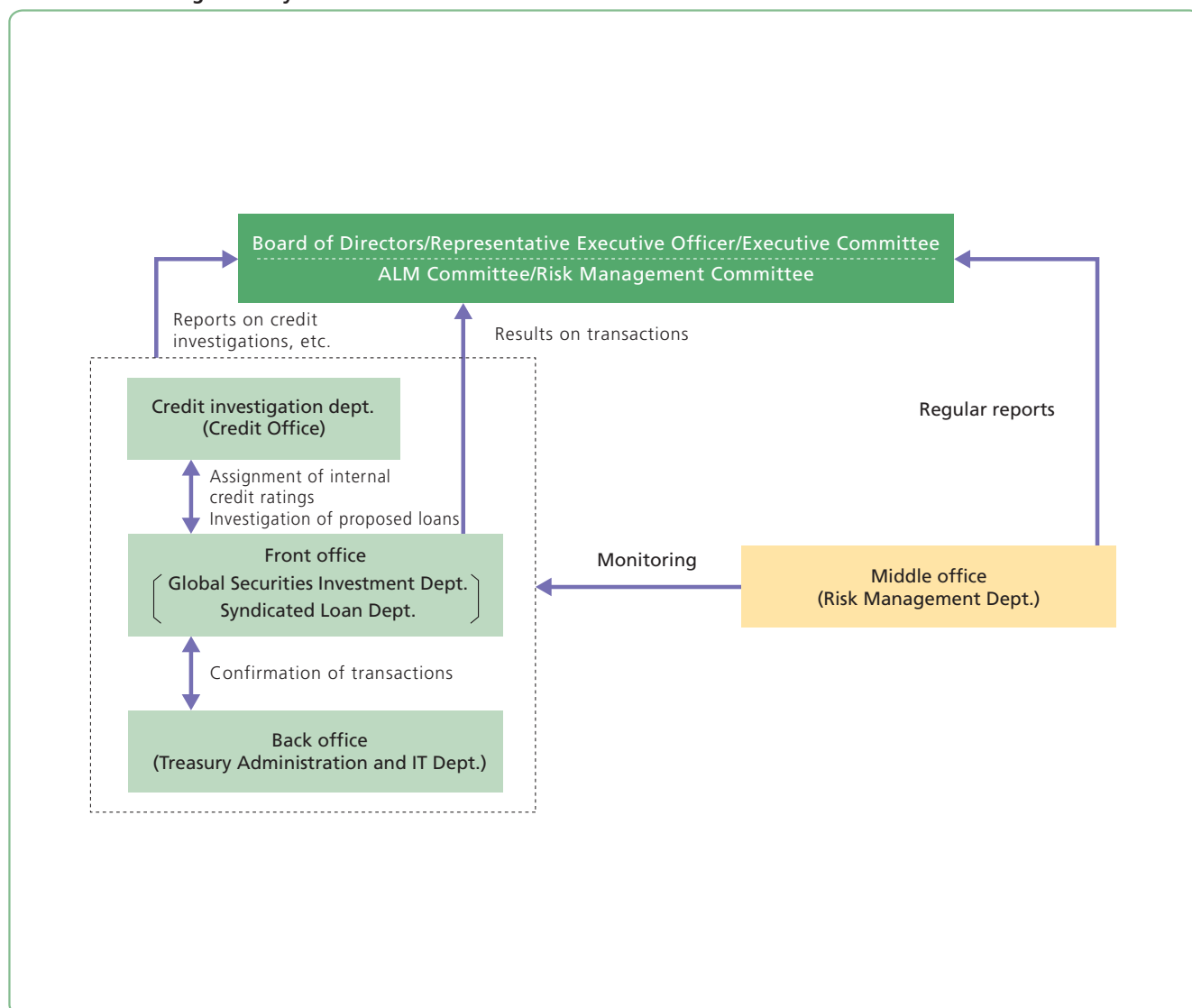
To avoid excessive concentrations of credit risk, we establish credit limits for individual companies and corporate groups and manage these limits during each fiscal period. To prepare for an increase in the number of borrowers, we plan to use more sophisticated loan portfolio management methods.

To provide a system of checks and balances for credit risk management, we have a Risk Management Department positioned as a “middle office” department that is independent from our front office and back office operations and a Credit Office that functions as a credit investigation department.

The Risk Management Department oversees our internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Office assigns internal credit ratings, monitors the status of borrowers, oversees large borrowers, and manages the extension of credit, including performing investigations for proposed 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 the execution of credit risk management.

■ Credit Risk Management System



2. Credit Policies

We have defined our basic philosophy, behavioral guidelines, and other items involving credit business in writing. Our Credit Policies have been established to underpin the sound and appropriate operation of credit business by all executives and employees.

We conduct our credit business based on the fundamental principles of public welfare, financial soundness, and profitability.

3. Method of Measuring Credit Risk

Our model for measuring credit risk volume (VaR) employs the Monte Carlo Method, is designed to provide a 99% confidence level, and is calculated for one-year time periods.

We use the mark-to-market method for the recognition of losses. With this method, we recognize losses resulting from the

default of borrowers as well as losses resulting from declines in the economic value of loans caused by a reduction in a borrower's credit rating.

4. Stress Testing

VaR is a statistical measurement of credit risk based on the probabilities associated with the changes in credit ratings and other data. As a result, this methodology is not suitable for monitoring risks associated with a decline in the financial soundness of borrowers resulting from a significant change in economic conditions. We conduct stress tests on a regular basis to determine the magnitude of potential losses in cases of such changes that exceed the assumptions used for our model.

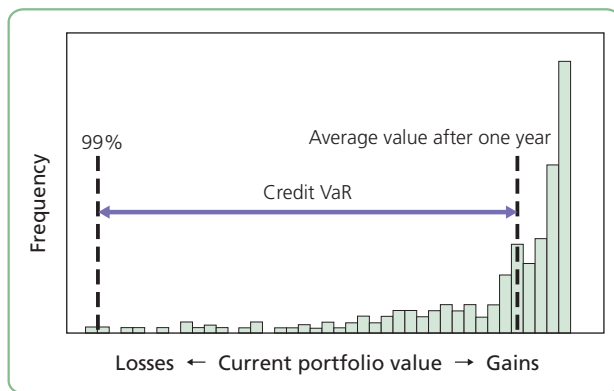
The results of these tests are reported to the ALM Committee and others.

For stress tests, we use certain scenarios, including the estimated effect of the highest loan default rate over the past decade.

5. Internal Credit Ratings

We use internal credit ratings for lending policies for ordinary credit management, the measurement of credit risk, the proper pricing of loans, the operation and supervision of our credit portfolio, primary self-assessment tasks, preparations for writing off loans and establishing reserves, and for other purposes. To perform these activities, we have established the following internal credit ratings with 14 categories.

■ Illustration of VaR Measurement of Credit Risk



■ Internal Credit Ratings

Obligor rating	Definition	Obligor classification	
1	Highest financial soundness backed by many outstanding parameters	Normal	
2	Very high financial soundness backed by outstanding parameters		
3	High financial soundness backed by some outstanding parameters		
4	Adequate financial soundness, but some items would require attention if there were a major change in the operating environment		
5			
6	No concerns about financial soundness for the foreseeable future, but some items would require considerable attention if there were a change in the operating environment		
7	No concerns about financial soundness at this time, but constant attention is needed regarding certain items	Watch	
			Loans requiring special attention due to problems with loan terms, such as reduced or suspended interest payments, overdue payments of principal or interest, and other problems involving the borrower's ability to meet its obligations; in addition, the borrower's markets are weak or unstable or there are problems with the borrower's financial condition
8	Loans whose principal or interest payments are delinquent by at least three months, starting from the day following the contractual payment date, or when the loan agreement has been revised to offer more favorable terms to a borrower in order to facilitate the rebuilding of a business or provide other assistance for borrowers in economic difficulty, thereby increasing the likelihood that the loan will be repaid		Special attention
9	Obligors that are not bankrupt, but there is difficulty continuing business operations and improvement plans and other initiatives are not going well; high probability that the borrower will become insolvent		Potentially bankrupt
10	Obligors that have not initiated legal bankruptcy proceedings or similar actions but the state of operations is grave and there are no prospects for rebuilding operations, resulting in an effective state of insolvency		Effectively bankrupt
11	Obligors that have initiated legal bankruptcy proceedings or similar actions		Bankrupt

6. Self-Assessments, Write-Offs, and Reserves

Self-assessments are one element of our credit risk management activities. We use these assessments to categorize assets based on the risk that they cannot be recovered or that their value will decline. These assessments become the standard for writing off loans and establishing a reserve for possible loan losses.

Detailed standards for the reserve for possible loan losses are as follows.

The reserve for possible loan losses is based on pre-determined standards for writing off loans and making additions to this reserve. We establish this reserve as follows for each borrower category prescribed by the “Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions” (Japanese Institute of Certified Public Accountants, Special Committee for Audits of Banks, Etc., Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized

by asset assessment departments with the cooperation of marketing departments. A reserve for possible loan losses is then established as follows based on the results of these assessments.

- For loans to borrowers classified as normal or requiring special attention, we group loans into certain categories and establish a reserve based on loss rate forecasts and other factors.
- For loans to doubtful borrowers, we deduct the estimated value of collateral and the amount that can be covered from guarantees from the loan and establish a reserve for the remaining portion of the loan as required.
- For loans to effectively bankrupt and bankrupt borrowers, we deduct the estimated value of collateral and the amount that can be covered from guarantees from the loan and establish a reserve for the entire remaining portion of the loan.

■ Asset Categories and Descriptions

Asset category	Description
Unclassified (Type I)	All assets that are not classified as type II, III, or IV, which are assets where there are no problems regarding the recovery of the assets or of a decline in the value of the assets
Type II	Loans and other assets where there is a greater than normal risk concerning recovery because not all conditions for protection of these assets have been fulfilled or because there are doubts about the financial soundness of the borrower
Type III	Assets where there is a high probability of incurring a loss due to significant concerns about the ability to recover the loan or a substantial decline in its value, but determination of a reasonable estimate of the loss is not possible
Type IV	Assets that cannot be recovered or have no value

7. Management of Individual Borrowers

We continually monitor loan repayments, financial condition, and other items involving the financial soundness of borrowers for the purpose of monitoring credit risk for individual borrowers in a timely and appropriate manner. We conduct a

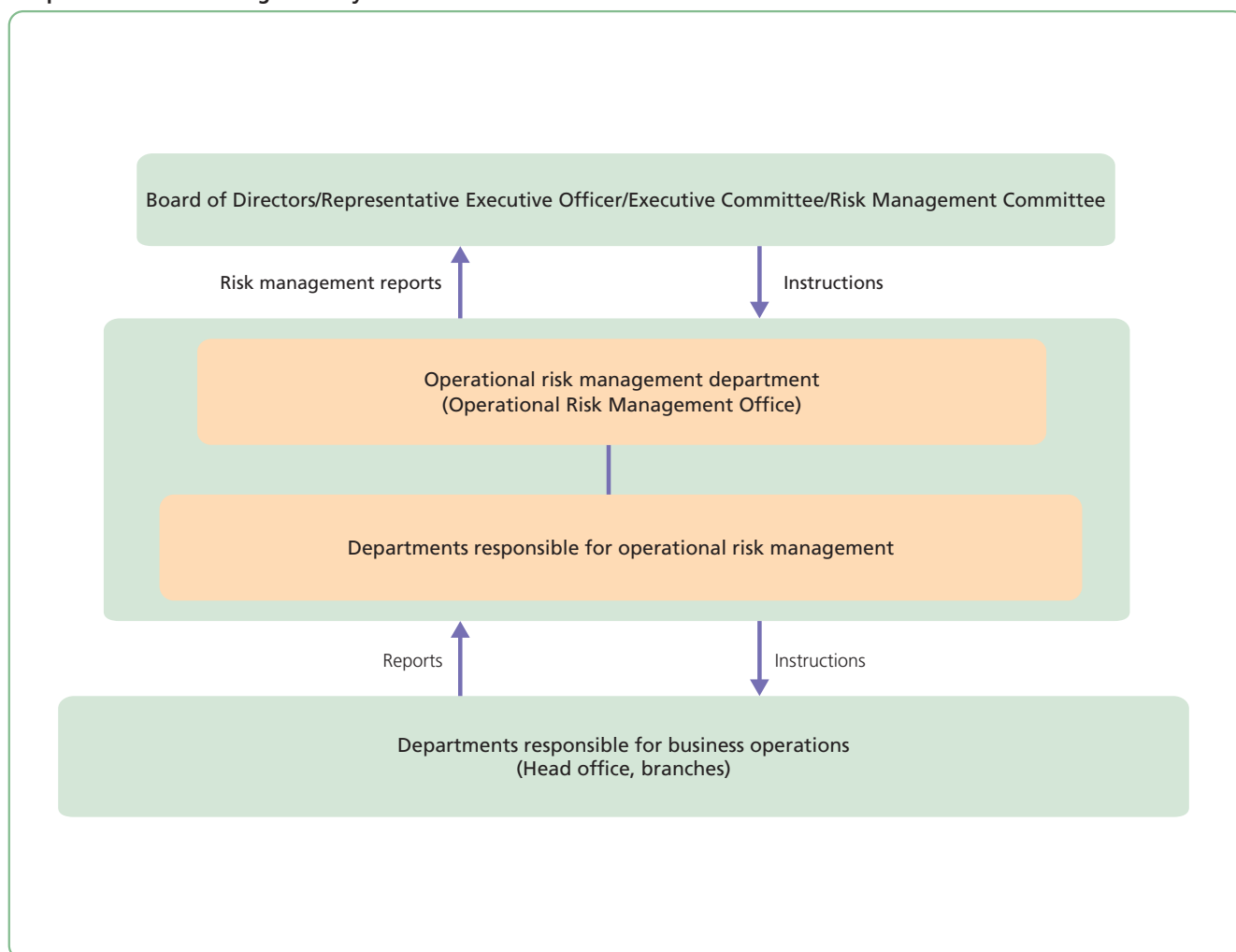
stricter monitoring process for borrowers that require extra attention due to a sharp drop in the borrower’s stock price, concerns about a credit rating reduction caused by deteriorating earnings, or other developments.

Operational Risk Management

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 our business

operations, we manage operational risk by using the basic approach of identifying, evaluating, controlling, monitoring, and reducing these risks.

Operational Risk Management System



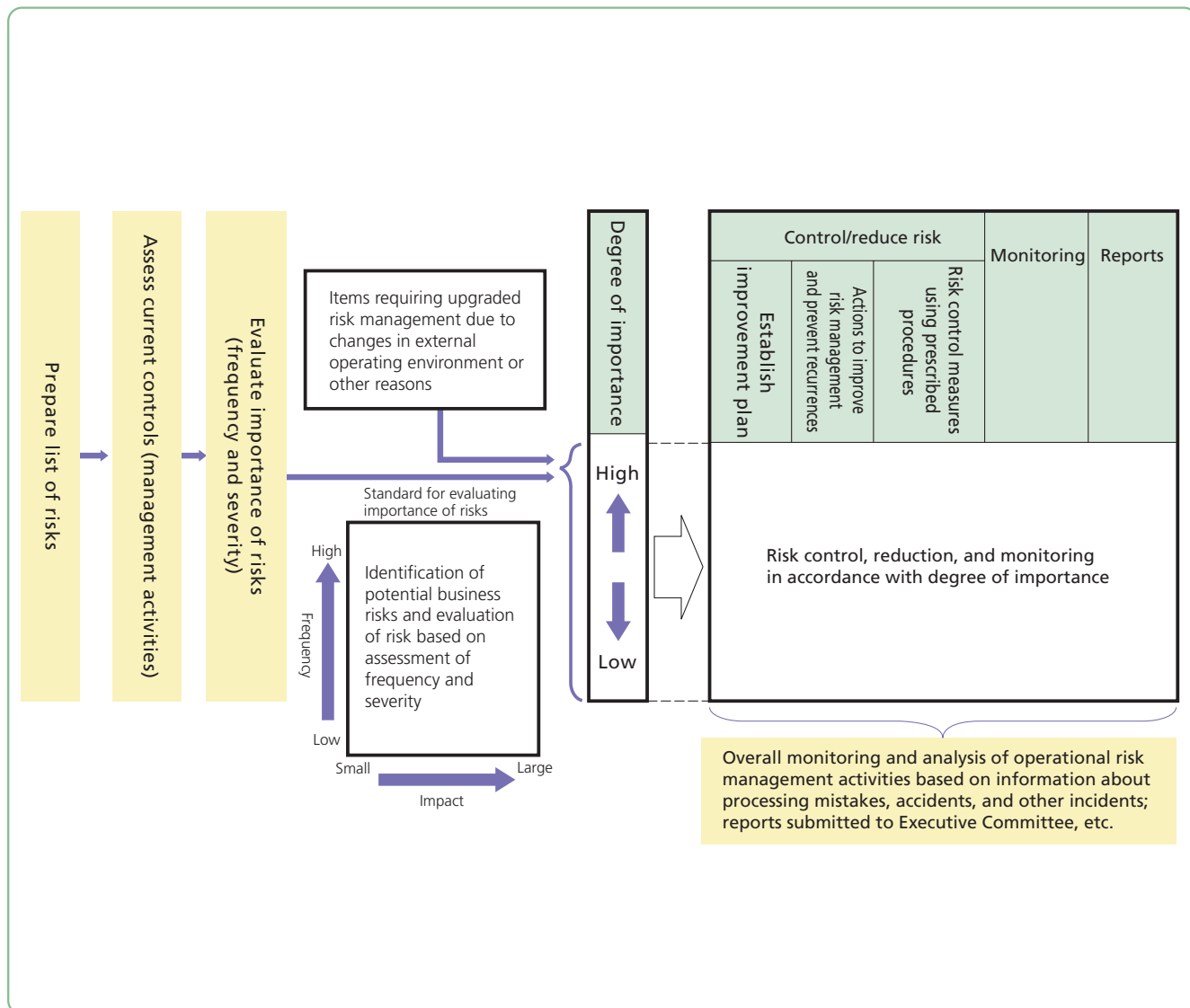
To manage risk, we identify risks associated with our business operations and evaluate these risks based on the frequency of their occurrence and the severity on our operations. We establish controls in accordance with the importance of each risk, monitor these risks, and take actions as required.

We prepare a list of operational risks associated with business processes, products, computer systems, and other items. We use a Risk & Control Self-Assessment (RCSA) process periodically to determine the effectiveness of our management systems aimed at reducing exposure to these risks. RCSA allows us to identify areas that require improvements and aspects of our risk

management activities that need to be reinforced. We establish an improvement plan, examine measures to reduce risk exposure, and take the required actions.

Japan Post Bank has a reporting framework that uses computer systems to submit information about processing mistakes and accidents of all types. We analyze the contents of these reports to determine the causes of these incidents and identify trends. This process yields fundamental data that can be used to formulate and execute effective countermeasures.

■ Risk Evaluation Method



5 Corporate Social Responsibility

Japan Post Bank has a strong commitment to corporate social responsibility. As we work toward our goal of becoming “the most convenient and dependable bank in Japan,” we will conduct CSR activities that focus on the following three areas: offering services that are accessible to everyone, contributing to social and community activities, and protecting the environment.

Services Accessible to Everyone

By offering a pension delivery service, communications in braille, and other products and services, we are working in many ways to serve seniors and other customers with special needs.

Our branches have ramps, handrails, walkway blocks to guide visually impaired customers, and other features to provide easy access to everyone.

1. Pension Delivery Service

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

Customers wishing to use this service need only submit an application along with certification from a manager of Japan Post Bank or a Post Office or social worker.

3. Services in Braille

For visually impaired customers, we distribute deposit statements and a variety of other notices in braille.

Customers can request this service at any Japan Post Bank branch or Post Office.

2. New Welfare Time Deposits

We offer this one-year time deposits, which features a higher than normal interest rate, to individuals receiving disability, survivor, and other public pensions. Each eligible customer can make a deposit of up to ¥3 million.



Our ATM card and ATM with braille (keyboard and telephone receiver)

■ Services Available in Braille

Service	Description
Ordinary deposit statement	Customers receive by mail a statement once or twice each month listing deposits, withdrawals, utility payments, account balances, and other information. For deposit passbooks, we can attach a braille sticker showing the type of deposit (and a sticker with the individual's name for passbook storage envelopes).
Time deposits and TEIGAKU deposits terms	With a deposit certificate, we provide a braille document that explains the time deposits contract terms. We can attach a braille seal to the deposit certificate showing the type of deposit (and a sticker with the individual's name for certificate storage envelopes). For loans secured by time deposits and other deposits, we provide a braille document explaining the terms of the loan. In addition, upon maturity of the deposit, we send the customer a braille notice of the maturity date and the amount that will be received.
Notice of account transfers	Each time a payment is made to or from an account, we send a braille notice of the amount received or paid to the account holder. However, this does not include the name of the individual who has sent the money.
Braille ATM card	Customers can ask for an ATM card with the name printed in braille as well as a braille explanation of how the card can be used.

■ Services Available in Braille

Service	Description
Use of ATMs	All Japan Post Bank ATMs have braille keyboards. Furthermore, telephone receivers allow customers to use a telephone or their own earphones to receive instructions and get information such as remittances and account balances.
Product and service pamphlets in braille	Customers can receive braille pamphlets explaining products and services at any Japan Post Bank branch or Post Office. This publication is also available at braille libraries.

Social and Community Activities

Social activities extend from no charge for remittances of donations for victims of natural disasters to a number of community activities near our branches, such as picking up litter and participation in community events. These activities demonstrate our policy of being an integral part of every community that we serve. In addition, we hold piggy bank contests at elementary schools throughout Japan as part of programs to make children more knowledgeable about financial matters.

1. Remittances of Donations for Disaster Relief at No Charge

Japan Post Bank branches and Post Offices accept donations at no charge to aid victims of natural disasters. We transfer the donations at no cost to the Japanese Red Cross Society, Community Chest, and local governments.

To promote social welfare activities, we send donations at no charge for charities that we have designated.

2. Sales of Socially Responsible Investing (SRI) Fund

We sell diversified products of investment trusts to assist customers to achieve their medium- and long-term goals for increasing their assets. One of these funds is the STB Japan Stock SRI Fund, which purchases the stock of companies that have a strong commitment to CSR programs.

Starting in June 2008, we have been using the trust fees from this fund to fund carbon offsets.

■ Fiscal 2007 Donations

(As of March 31, 2008)

Event	Donation period	No. of donations	Total donations
Niigata Chuetsu Earthquake	Oct. 25, 2004 – Oct. 24, 2007	8,960	¥117.46 million
Noto Peninsula Earthquake	March 27, 2007 – ongoing	45,121	¥1,825.08 million
Kyushu Flooding	July 11, 2007 – Aug. 10, 2007	4,363	¥43.87 million
2007 Niigata Offshore Earthquake	July 18, 2007 – ongoing	140,778	¥2,437.76 million
Typhoon No. 5	Aug. 7, 2007 – Sept. 28, 2007	945	¥7.66 million
Typhoon No. 11 and heavy rain	Sept. 25, 2007 – Oct. 31, 2007	986	¥9.54 million
Toyama wave damage	March 5, 2008 – ongoing	1,099	¥9.98 million
Sado winter storm	March 21, 2008 – ongoing	40	¥230 thousand

Environmental Activities

Japan Post Bank has established our Environmental Policy that includes the fundamental philosophy for energy conservation, resource conservation, and other environmental activities. We are dedicated to preserving the environment for future generations.

The Japan Post Group has announced the Environmental Vision that covers the five fiscal years ending with the 2012 fiscal year. The vision positions global warming initiatives and programs for sustainable forests as the two core environmental themes of the Group.

To help achieve these policies and vision, we are working with other Japan Post Group companies to participate in Japan's Team Minus 6% campaign, we take part in the Japan Post Forest program, we have earned ISO 14001 certification, and we have other programs that reduce emissions of CO₂ and other greenhouse gases.

Environmental Policy

I. Fundamental Philosophy

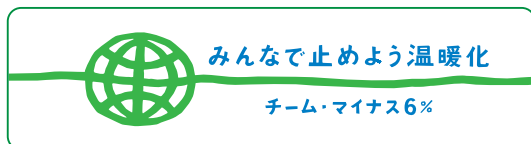
Japan Post Bank, as "the most convenient and dependable bank in Japan," will reflect environmental ideas in all its activities to help preserve the environment for future generations by protecting nature and the environment.

II. Fundamental Policy

1. We will comply with environmental laws and regulations as well as environmental agreements that have been approved. We will work even harder at reducing our impact on the global environment and preventing pollution.
2. We will conduct well-planned environmental activities with clear objectives and targets. We will maintain a system for periodically reviewing these objectives and targets and constantly make improvements to our environmental management system.
3. We will help protect the global environment by undertaking resource and energy conservation, and recycling resources in our business activities.
4. We will use environmentally responsible products and materials and take other actions to contribute to the establishment of a society where resources are recycled.
5. We will disclose extensive environmental information internally and to the public and conduct environmental education and awareness programs to give people a better understanding of environmental issues.
6. As the most convenient and dependable bank in Japan, we will aggressively participate in and support regional and community environmental programs.
7. We will improve the understanding and awareness of this Environmental Policy among our employees and make this policy available to the public.

1. Participation in Team Minus 6%

Team Minus 6% is a national project in Japan backed by the Ministry of the Environment to achieve a 6% reduction in greenhouse gas emissions, which is one target of the Kyoto Protocol. Japan Post Bank is a participant in this program, taking actions across all operations to lower its emissions of greenhouse gases.



The Team Minus 6% logo

2. ISO 14001 Certification

Japan Post Bank has received ISO 14001 certification for its environmental management systems, just as at Japan Post. Our certification covers 27 branches, which have standardized environmental operations conforming to the ISO 14001 guidelines. By using the Japan Post Bank Environmental Management System, we are constantly working on lowering our environmental impact and other environmental programs.

ISO 14001 certified branches (27 locations)

Obihiro, Morioka, Mito, Takasaki, Hiratsuka, Kofu, Katsushika, Chofu, Nagano, Niigata, Nagaoka, Kanazawa, Gifu, Yokkaichi, Otsu, Kyoto, Kobe, Himeji, Wakayama, Matsue, Okayama, Fukuyama, Shimonoseki, Tokushima, Takamatsu, Kitakyushu, Miyazaki

3. Japan Post Forest

As part of its CSR activities, the Japan Post Group has established the Japan Post Forest program in all areas of Japan to support the sustainable growth of forests. Volunteers from Group companies, with the cooperation of non-profit organizations, plant trees and take care of forests.

Japan Post Bank is proud to be an active participant in the Japan Post Forest program.



Planting trees in the Japan Post Forest

6 Improving Customer Satisfaction

Customer Satisfaction Activities

Japan Post Bank is firmly committed to complying with laws and regulations; earning the trust of customers, markets, shareholders, and employees; and contributing to society. In addition, we are dedicated to reforming our management and business operations to reflect the wishes of customers and changes in our operating environment.

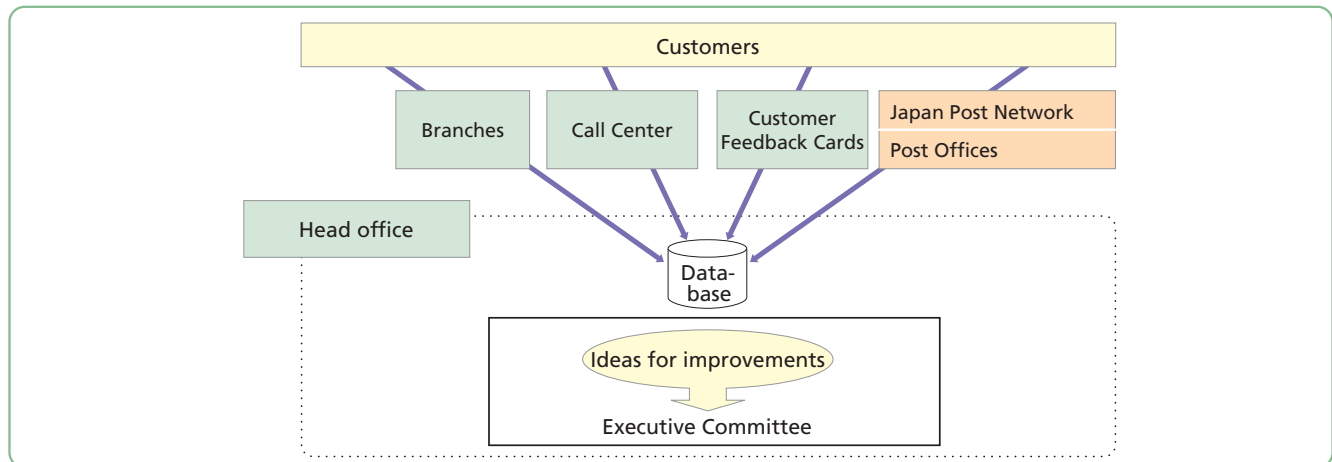
To realize our management philosophy of becoming “the most convenient and dependable bank in Japan,” we listen carefully to what our customers tell us. We use this feedback to improve and expand our services with the aim of achieving even greater customer satisfaction.

Listening to Customers

Customers can use branches, the Call Center, and other channels to submit comments, questions, and requests to Japan Post Bank. We use a centralized management system to process this information to make it available throughout the Company. Furthermore, we study customer feedback in order to make all improvements that are required.

To provide another communications channel, we have Customer Feedback Cards in the lobbies of all branches. Information received from these cards is shared with all other branches and used to improve customer satisfaction for all Japan Post Bank operations.

Customer Service Improvement Flowchart



How Customer Input Leads to Improvements

Two illustrations of how comments from customers led to improvements in our operations are presented below. Please visit our Web site for more information on actions taken due to comments and suggestions from customers.

Customer feedback – 1

I would like to contact Japan Post Bank about products and services after 6:00pm weekday evenings and on weekends and holidays.

Also, can you provide a toll-free number for calling Japan Post Bank from a cell phone?



Improvements – 1

Until recently, our Call Center operated only between 8:30am and 6:00pm on weekdays and cell-phone users had to pay for their calls. Beginning on June 23, 2008, we extended weekday operating hours and added weekend and holiday services as shown below. In addition, cell-phone users can call us at no charge.

Japan Post Bank Call Center operating hours

Weekdays: 8:30am to 9:00pm
Weekends/holidays: 9:00am to 5:00pm
(9:00am to 5:00pm from Dec. 31 to Jan. 3)

Note: Not accessible from certain IP telephones and some other services

Customer feedback – 2

When my time savings or TEIGAKU savings mature, I would like to keep the savings certificate that was issued when Japan Post Bank was a Japanese government agency as a commemorative certificate.



Improvements – 2

Normally, we ask customers to return savings certificates when their time savings or TEIGAKU savings reach maturity.

We have returned only commemorative certificates to customers. We have now revised this system to allow customers to ask for the return of standard deposit certificates, too.*

* Please ask for the return of a certificate during the deposit maturity procedure at a Japan Post Bank branch or post office.

7 Upgrading Security

Tighter Security with IC ATM Cards

In October 2006, when Japan Post Bank was still part of the government-owned Japan Post, we started issuing an IC ATM card with a biological identification function using finger vein recognition.

This card requires both a personal identification number (PIN) and biological identity confirmation before making a withdrawal, transferring funds, or performing other actions.

Documents required

Bank passbook, IC ATM card, personal seal, document confirming identity (driving license, health insurance certificate, or other document with name, address, and date of birth)

Customers who wish to use biological confirmation should submit an application at any Japan Post Bank branch or Post Office (except Contracted Post Offices). Cards will be issued at no charge after the biological information has been recorded.

The biological identity confirmation function uses the pattern of veins in the finger to confirm an individual's identity.

An individual's finger vein pattern (biological information) is placed in the IC ATM card. This makes it possible to confirm that the individual performing transactions using that card has the registered finger vein pattern. This helps prevent the fraudulent use of cards by individuals who assume the customer's identity.

■ Restrictions on ATM Withdrawals

Customers can withdraw up to ¥500,000 from an ATM in one day. Customers can change this limit as follows by completing the required procedure at any Japan Post Bank branch or Post Office. Customers can also revise the maximum number of withdrawals in a single day.

A reduction in the maximum withdrawal applies to ATM transactions, too.

Note: Changes are not possible for ATMs with no biological identification confirmation capability (ATMs with "No biological ID confirmation" stickers).

Transactions covered by limits (other than teller transactions and "Yucho Direct" transactions)

- | |
|--|
| 1) Withdrawals of ordinary deposits (excluding fees when using ATMs of other financial institutions) |
| 2) Remittances to other accounts (excluding remittance fees) |
| 3) Payments using payment forms (including payments that include associated fees) |
| 4) Payments using debit cards |

Limits on withdrawals (a must be smaller or equal to b and b smaller or equal to c)		
a	Transactions using magnetic strip (using passbook or ATM that is not compatible with IC ATM cards)	¥0 to ¥2 million
b	Transactions using IC ATM cards (when not using biological identity verification)	¥0 to ¥2 million
c	Transactions using IC ATM cards (when using biological identity verification)	¥0 to ¥10 million

Range of limits for number of withdrawals per day	
0 to 999	

- Notes: 1. Even when using an IC ATM card, transactions will be processed as magnetic strip transactions at ATMs not compatible with IC ATM cards and some debit card member merchants.
 2. When using ATMs of other financial institutions, some transactions may be processed as magnetic strip transactions even though biological identification confirmation was used and the ATM is compatible with IC ATM cards. Please visit the Japan Post Bank Web site for information about these financial institutions.
 3. If the maximum withdrawal is ¥0 for categories a and b, transactions will no longer be possible using only the PIN. Biological identity verification will be required, too.

■ Locations with Biological Identity Verification

Locations where customers can use IC ATM cards with finger vein identity verification are as follows.

Even at ATMs that do not have biological identity verification capability, customers can make withdrawals using the magnetic strip and PIN as long as the amount does not exceed the limit.

- All Japan Post Bank branches and Post Offices (except Contracted Post Offices)
- Japan Post Bank ATMs with biological identity verification (about 19,000)

Notes: 1. Number of ATMs as of March 31, 2008

2. ATMs with no biological identification capability have a "No biological ID confirmation" sticker.

- Biological identity verification ATMs of affiliated financial institutions

■ Charge for Biological Identity Verification ATM Card

There is no charge for switching from an existing magnetic ATM card to a card with biological identity verification.

Note: There is a fee of ¥1,000 (including tax) to reissue an IC ATM card that has been lost or damaged.

Measures to Keep Customers Vigilant

To prevent fraudulent and criminal activity, Japan Post Bank lists information on its Web site that customers should keep in mind. Information includes examples of financial crimes, such as fraudulent remittances using ordinary deposits and Internet

banking, and the fraudulent use of ATM cards. In addition, we tell customers how to reduce the likelihood of becoming a victim of such fraudulent activities.

■ Japan Post Bank Web Site Page for Crime Prevention (Japanese Only):

http://www.jp-bank.japanpost.jp/information/crime/inf_crm_index.html

Tighter Security for Internet Banking

To prevent problems involving phishing attacks (fraudulent attempts to acquire personal information), “Yucho Direct” began using EV SSL Server Certificates* in May 2008.

We will continue to take the actions needed to provide security that allows customers to use “Yucho Direct” with no worries.

■ Japan Post Bank Web Site Page for Security Information (Japanese Only):

http://www.jp-bank.japanpost.jp/direct/pc/security/dr_pc_sc_index.html

*EV SSL Server Certificates

EV (extended validation) SSL server certificates use a new standard for electronic certificates that provides strict unified worldwide standards for issuing certificates in order to increase the reliability of Web site operations. When accessing “Yucho

Direct,” the browser address bar changes to green and the name of the site operator and other information are displayed. This allows users to visually confirm that they are visiting a valid Web site rather than a phishing or other fraudulent site.

8 Protection of Personal Data

Japan Post Bank has established the following privacy policy and conducts business operations based on this policy. We recognize that protecting personal data is vital to offering services that can achieve a high degree of customer satisfaction.

Privacy Policy

1. Compliance with laws and regulations

When handling personal data, we comply with all laws and regulations associated with protecting personal data, national government policies, and this privacy policy.

2. Purpose of using personal data

We specify the purpose of using personal data and use this data solely for achieving this purpose. The purposes for which we use personal data are listed on our Web site and provided through other channels.

3. Acquisition of personal data

We acquire personal data using methods that are legal and proper and solely for the purposes listed in the above item.

4. Measures for safe management of personal data

We use an appropriate safety management system to prevent losses, alterations, or leaks of personal data. In addition, we properly supervise employees and outsourcing partners.

5. Provision of personal data to third parties

Except in cases where required by laws, regulations, etc., we do not supply personal data to third parties without the prior consent of each individual. In cases where we share personal data with other parties, this sharing is performed only after providing prior notice or public announcements of items required by law.

6. Procedure for requesting disclosure of personal data

We respond in a sincere manner to 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 and regulations. The procedure is listed on our Web site and provided through other channels.

7. Contact for inquiries

We respond quickly and sincerely to opinions, requests, and other communications from customers about the handling of personal data. Customers may contact any Japan Post Bank branch or Post Office or the Call Center with opinions, requests, and other matters concerning the handling of personal data.

8. Continuous improvements

We constantly review and improve our management and handling methods for the protection of personal data in response to advances in information technology and shifts in social demands.

INDEX

Fiscal 2007 Business Report	39
Financial Data	40
Financial Highlights	40
Gross Banking Profit and Ratio	40
Net Interest Income, Net Fees and Commissions, Net Trading Income, and Net Other Operating Income	41
Interest Income and Average Earning Assets, Interest Income, and Interest Rates	42
Interest Rates	43
Changes in Interest Income and Expenses	43
Net Operating Income to Assets and Equity	44
Net Income to Assets and Equity	44
Balances by Type of Deposit	44
Time Deposits by Time to Maturity	45
TEIGAKU Deposits by Time to Maturity	45
Loans by Category	46
Loans by Time to Maturity	46
Loans and Acceptances and Guarantees by Type of Collateral	47
Loans by Purpose	47
Loans by Industry	47
Loans to Individuals and Small and Midsize Enterprises	47
Balance of Foreign Monetary Claims	48
Loan-Deposit Ratio	48
Average Balance of Trading Account Securities by Type	48
Securities by Time to Maturity	49
Securities by Type	50
Foreign Bonds	50
Money Held in Trust	50
Securities-Deposit Ratio	51
Over-the-Counter Sales of Japanese Government Bonds	51
Domestic Exchange	51
Foreign Exchange	51
Status of Monetary Claims	52
Risk-Monitored Loans	52
Disclosure under Financial Reconstruction Law	52

■ All figures in this report are rounded down. As a result, totals may not match the sum of the constituent figures.

Fiscal 2007 Business Report

Financial Data

Financial Highlights

(Millions of yen) (Millions of U.S. dollars)

	Fiscal 2007	Fiscal 2007
Operating income	¥ 1,328,904	\$ 13,264
Banking profit (before provision for (reversal of) general reserve for possible loan losses)	302,859	3,023
Banking profit	301,945	3,014
Net operating income	256,171	2,557
Net income	152,180	1,519
Common stock	3,500,000	34,934
Shares issued (Thousands)	150,000	150,000
Net assets	8,076,855	80,615
Total assets	212,149,182	2,117,469
Deposits	181,743,807	1,813,991
Loans	3,771,527	37,644
Securities	172,532,116	1,722,049
Non-consolidated capital adequacy ratio (domestic standard)	85.90%	85.90%
Dividend payout ratio	14.98%	14.98%
Employees	11,201 people	11,201 people

Notes: 1. Earnings for the current fiscal period represent the six-month period of banking operations following the October 1, 2007 privatization. However, earnings include the operations of the privatization preparation company (net loss of ¥731 million (\$7 million)) and other operations in the first half of the fiscal year that began in April 2007.

2. Deposits are as defined by the corresponding liability item in the Banking Law Implementation Regulations.

3. The balance of deposits including accrued interest is ¥182,384,346 million (\$1,820,385 million).

4. The non-consolidated capital adequacy ratio is calculated in line with provisions of Article 14-2 of the Banking Law 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 (the Financial Services Agency Notification No. 19 of March 27, 2006). Japan Post Bank uses the capital adequacy ratio standard applicable in Japan.

5. The number of employees does not include Japan Post Bank employees assigned to other companies but does include employees of other companies assigned to Japan Post Bank.

Gross Banking Profit and Ratio

(Millions of yen)

(Millions of U.S. dollars)

	Fiscal 2007	Fiscal 2007
Gross banking profit	¥920,548	\$9,188
Gross banking profit ratio	0.86%	0.86%

Notes: 1. Gross banking profit = Net interest income + Net fees and commissions + Net other operating income

2. Gross banking profit margin = Gross banking profit / Average earning assets x 100 (annualized)

3. Figures shown are for the period from October 1, 2007 to March 31, 2008.

■ Net Interest Income, Net Fees and Commissions, Net Trading Income, and Net Other Operating Income

(Millions of yen)

	Fiscal 2007		
	Domestic operations	International operations	Total
Net interest income	¥ 866,631	¥4,580	¥ 871,211
Interest income	1,260,710	5,225	1,265,037
Interest expenses	394,079	645	393,826
Net fees and commissions	49,493	359	49,852
Fees and commissions received	59,118	437	59,556
Fees and commissions paid	9,625	78	9,703
Net trading income	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income	698	(1,214)	(515)
Other operating income	703	—	703
Other operating expenses	4	1,214	1,218

(Millions of U.S. dollars)

	Fiscal 2007		
	Domestic operations	International operations	Total
Net interest income	\$ 8,650	\$46	\$ 8,696
Interest income	12,583	52	12,626
Interest expenses	3,933	6	3,931
Net fees and commissions	494	4	498
Fees and commissions received	590	4	594
Fees and commissions paid	96	1	97
Net trading income	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income	7	(12)	(5)
Other operating income	7	—	7
Other operating expenses	0	12	12

Notes: 1. Domestic operations are for yen-denominated transactions and international operations are for foreign currency-denominated transactions.

2. Interest expenses do not include expenses of ¥1,036 million (\$10 million) as an adjustment for funds procured for money held in trust.

3. Interest income for domestic operations includes ¥898 million (\$8 million) of interest income from loans to international operations. The difference between interest expenses for international operations and interest paid for loans from domestic operations is the portion of expenses corresponding to money held in trust.

4. Portions of interest income and interest expenses are netted out for transactions between internal departments. Therefore, the totals for domestic operations and international operations may not match sums of the constituent figures.

5. Figures shown are for the period from October 1, 2007 to March 31, 2008.

■ Interest Income and Average Earning Assets, Interest Income, and Interest Rates

(Millions of yen)

Domestic Operations		Fiscal 2007		
		Average balance	Interest	Interest rate
Interest-earning assets		¥212,698,668	¥1,260,710	1.18%
	Loans	3,908,239	22,847	1.16
	Securities	172,092,360	931,784	1.08
	Deposits	31,221,950	273,865	1.75
	Deposits with banks	4,998,835	15,515	0.62
Interest-bearing liabilities		207,542,840	394,079	0.37
	Deposits	185,626,493	181,412	0.19
	Borrowed money	22,329,234	197,357	1.76

(Millions of U.S. dollars)

Domestic Operations		Fiscal 2007		
		Average balance	Interest	Interest rate
Interest-earning assets		\$2,122,953	\$12,583	1.18%
	Loans	39,008	228	1.16
	Securities	1,717,660	9,300	1.08
	Deposits	311,627	2,733	1.75
	Deposits with banks	49,894	155	0.62
Interest-bearing liabilities		2,071,493	3,933	0.37
	Deposits	1,852,745	1,811	0.19
	Borrowed money	222,869	1,970	1.76

(Millions of yen)

International Operations		Fiscal 2007		
		Average balance	Interest	Interest rate
Interest-earning assets		¥364,921	¥5,225	2.86%
	Loans	—	—	—
	Securities	331,451	5,148	3.10
	Deposits	—	—	—
	Deposits with banks	—	—	—
Interest-bearing liabilities		339,968	645	0.37
	Deposits	—	—	—
	Borrowed money	—	—	—

(Millions of U.S. dollars)

International Operations		Fiscal 2007		
		Average balance	Interest	Interest rate
Interest-earning assets		\$3,642	\$52	2.86%
	Loans	—	—	—
	Securities	3,308	51	3.10
	Deposits	—	—	—
	Deposits with banks	—	—	—
Interest-bearing liabilities		3,393	6	0.37
	Deposits	—	—	—
	Borrowed money	—	—	—

(Millions of yen)

Total	Fiscal 2007		
	Average balance	Interest	Interest rate
Interest-earning assets	¥212,590,632	¥1,265,037	1.19%
Loans	3,908,239	22,847	1.16
Securities	172,423,811	936,932	1.08
Deposits	31,221,950	273,865	1.75
Deposits with banks	4,998,835	15,515	0.62
Interest-bearing liabilities	207,409,851	393,826	0.37
Deposits	185,626,493	181,412	0.19
Borrowed money	22,329,234	197,357	1.76

(Millions of U.S. dollars)

Total	Fiscal 2007		
	Average balance	Interest	Interest rate
Interest-earning assets	\$2,121,875	\$12,626	1.19%
Loans	39,008	228	1.16
Securities	1,720,968	9,352	1.08
Deposits	311,627	2,733	1.75
Deposits with banks	49,894	155	0.62
Interest-bearing liabilities	2,070,165	3,931	0.37
Deposits	1,852,745	1,811	0.19
Borrowed money	222,869	1,970	1.76

Notes: 1. Income and expenses for money held in trust are included in other operating income and other operating expenses, respectively. Therefore, the average balance of money held in trust (¥546,203 million (\$5,451 million)) is deducted from interest-earning assets and from interest-earning liabilities, and the corresponding interest for this amount (¥1,036 million (\$10 million)) is deducted from interest expenses.

2. Average balances for loans and interest on loans between domestic and international operations are net figures.

3. Deposits with banks include certificates of deposit, call loans, receivables under resale agreements, and monetary claims bought.

4. Deposits are as defined by the corresponding liability item in the Banking Law Implementation Regulations.

5. Figures shown are for the period from October 1, 2007 to March 31, 2008.

6. All interest rates have been annualized.

Interest Rates

(%)

	Fiscal 2007
Domestic operations	
Interest-earning assets	1.18%
Interest-bearing liabilities	0.37
Margin	0.81
International operations	
Interest-earning assets	2.86
Interest-bearing liabilities	0.37
Margin	2.49
Total	
Interest-earning assets	1.19
Interest-bearing liabilities	0.37
Margin	0.82

Note: Annualized interest rates are shown for the period from October 1, 2007 to March 31, 2008.

Changes in Interest Income and Expenses

		Domestic operations	International operations	Total
Interest income	Due to change in balances	—	—	—
	Due to change in interest rates	—	—	—
	Net change	—	—	—
Interest expenses	Due to change in balances	—	—	—
	Due to change in interest rates	—	—	—
	Net change	—	—	—

Note: No changes are shown because this is the first fiscal period of banking operations.

■ Net Operating Income to Assets and Equity (%)

	Fiscal 2007
Net operating income to assets	0.23%
Net operating income to equity	6.48

Notes: 1. Net operating income to assets = Net operating income / (Total assets at start of fiscal period + Total assets at end of fiscal period) / 2) x 100

2. Net operating income to equity = Net operating income / (Equity at start of fiscal period + Equity at end of fiscal period) / 2) x 100
 3. Annualized ratios are shown for the period from October 1, 2007 to March 31, 2008.

■ Balances by Type of Deposit

At End of Fiscal Period

(Millions of yen, %)

		March 31, 2008	
		Amount	Pct.
Domestic operations	Liquid deposits	¥ 63,482,363	34.92%
	Time deposits	117,887,704	64.86
	Other deposits	373,739	0.20
	Sub-total	181,743,807	100.00
	Certificates of deposit	—	—
	Total	181,743,807	100.00
International operations	Total	—	—
Total		¥181,743,807	—

(Reference)

Deposits including accrued interest	¥182,384,346	—
-------------------------------------	--------------	---

(Millions of U.S. dollars, %)

		March 31, 2008	
		Amount	Pct.
Domestic operations	Liquid deposits	\$ 633,620	34.92%
	Time deposits	1,176,641	64.86
	Other deposits	3,730	0.20
	Sub-total	1,813,991	100.00
	Certificates of deposit	—	—
	Total	1,813,991	100.00
International operations	Total	—	—
Total		\$1,813,991	—

(Reference)

Deposits including accrued interest	\$1,820,385	—
-------------------------------------	-------------	---

Notes: 1. Liquid deposits = Transfer deposits + Ordinary deposits + Savings deposits + Special deposits (equivalent to ordinary savings)

2. Time deposits = Time deposits + TEIGAKU deposits + Special deposits (Time savings equivalent + TEIGAKU savings equivalent + Accumulation postal savings equivalent + Housing accumulation postal savings equivalent + Education accumulation postal savings equivalent)

3. "Transfer deposits" correspond with "Current deposits"; "TEIGAKU deposits" with "Other deposits" under Liabilities in accordance with the Banking Law Implementation Regulations.

4. Special 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.

5. 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 savings, TEIGAKU savings, accumulation postal savings, housing accumulation postal savings, and education accumulation postal savings that were passed on to this organization from Japan Post.

6. Average balances are for the period from October 1, 2007 to March 31, 2008.

■ Net Income to Assets and Equity (%)

	Fiscal 2007
Net income to assets	0.14%
Net income to equity	3.85

Notes: 1. Net income to assets = Net income / (Total assets at start of fiscal period + Total assets at end of fiscal period) / 2) x 100

2. Net income to equity = Net income / (Equity at start of fiscal period + Equity at end of fiscal period) / 2) x 100

3. Annualized ratios are shown for the period from October 1, 2007 to March 31, 2008.

Average Balances

(Millions of yen, %)

		Fiscal 2007	
		Amount	Pct.
Domestic operations	Liquid deposits	¥ 64,155,140	34.56%
	Time deposits	121,094,085	65.23
	Other deposits	377,268	0.20
	Sub-total	185,626,493	100.00
	Certificates of deposit	—	—
	Total	185,626,493	100.00
International operations	Total	—	—
Total		¥185,626,493	—

(Reference)

Deposits including accrued interest	¥186,332,521	—
-------------------------------------	--------------	---

(Millions of U.S. dollars, %)

		Fiscal 2007	
		Amount	Pct.
Domestic operations	Liquid deposits	\$ 640,335	34.56%
	Time deposits	1,208,644	65.23
	Other deposits	3,766	0.20
	Sub-total	1,852,745	100.00
	Certificates of deposit	—	—
	Total	1,852,745	100.00
International operations	Total	—	—
Total		\$1,852,745	—

(Reference)

Deposits including accrued interest	\$1,859,792	—
-------------------------------------	-------------	---

■ Time Deposits by Time to Maturity

(Millions of yen) (Millions of U.S. dollars)

		March 31, 2008	March 31, 2008
Less than 3 months	Time deposits	¥ 2,335,226	\$ 23,308
	Fixed interest rates	2,335,226	23,308
	Floating interest rates	—	—
	Other time deposits	—	—
3 months to less than 6 months	Time deposits	1,736,696	17,334
	Fixed interest rates	1,736,696	17,334
	Floating interest rates	—	—
	Other time deposits	—	—
6 months to less than 1 year	Time deposits	4,209,494	42,015
	Fixed interest rates	4,209,494	42,015
	Floating interest rates	—	—
	Other time deposits	—	—
1 year to less than 2 years	Time deposits	885,512	8,838
	Fixed interest rates	885,512	8,838
	Floating interest rates	—	—
	Other time deposits	—	—
2 years to less than 3 years	Time deposits	1,600,382	15,973
	Fixed interest rates	1,600,382	15,973
	Floating interest rates	—	—
	Other time deposits	—	—
3 years or more	Time deposits	461,836	4,610
	Fixed interest rates	461,836	4,610
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits	11,229,148	112,079
	Fixed interest rates	¥11,229,148	\$112,079
	Floating interest rates	—	—
	Other time deposits	—	—

- Notes: 1. Balances by remaining time to maturity for time deposits and special deposits (equivalent to time savings)
2. Deposits are as defined by the corresponding liability item in the Banking Law Implementation Regulations.
3. Special deposits are deposits 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.

■ TEIGAKU Deposits by Time to Maturity

(Millions of yen) (Millions of U.S. dollars)

	March 31, 2008	March 31, 2008
Less than 1 year	¥ 4,546,686	\$ 45,381
1 year to less than 3 years	22,483,231	224,406
3 years to less than 5 years	21,312,003	212,716
5 years to less than 7 years	13,227,502	132,024
7 years or more	44,935,274	448,501
Total	¥106,504,698	\$1,063,027

- Notes: 1. Balances by remaining time to maturity for time deposits and special deposits (equivalent to TEIGAKU savings)
2. Deposits are as defined by the corresponding liability item in the Banking Law Implementation Regulations, and TEIGAKU deposits are equivalent to "other deposits."
3. Special deposits are deposits 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.
4. Figures are calculated based on the assumption that all deposits will be held to maturity.

Loans by Category

At End of Fiscal Period	(Millions of yen) (Millions of U.S. dollars)	
	March 31, 2008	March 31, 2008
Domestic operations		
Loans on notes	¥ —	\$ —
Loans on deeds	3,502,875	34,962
Overdrafts	268,651	2,681
Notes discounted	—	—
Sub-total	3,771,527	37,644
International operations		
Sub-total	—	—
Total	¥3,771,527	\$37,644

Average Balances

Average Balances	(Millions of yen) (Millions of U.S. dollars)	
	Fiscal 2007	Fiscal 2007
Domestic operations		
Loans on notes	¥ —	\$ —
Loans on deeds	3,631,550	36,247
Overdrafts	276,688	2,762
Notes discounted	—	—
Sub-total	3,908,239	39,008
International operations		
Sub-total	—	—
Total	¥3,908,239	\$39,008

Note: Average balances are for the period from October 1, 2007 to March 31, 2008.

Loans by Time to Maturity

	Loans	(Millions of yen) (Millions of U.S. dollars)	
		March 31, 2008	March 31, 2008
1 year or less		¥ 296,153	\$ 2,956
	Floating interest rates		
	Fixed interest rates		
More than 1 year to 3 years		13,973	139
	Floating interest rates	7,141	71
	Fixed interest rates	6,831	68
More than 3 years to 5 years		128,149	1,279
	Floating interest rates	4,581	46
	Fixed interest rates	123,568	1,233
More than 5 years to 7 years		192,334	1,920
	Floating interest rates	8,300	83
	Fixed interest rates	184,034	1,837
More than 7 years to 10 years		905,027	9,033
	Floating interest rates	—	—
	Fixed interest rates	905,027	9,033
More than 10 years		2,235,888	22,316
	Floating interest rates	—	—
	Fixed interest rates	2,235,888	22,316
No fixed maturity		—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
Total		¥3,771,527	\$37,644

Notes: 1. Loans to depositors (maturities of two years or less) are treated as having a remaining time to maturity of 1 year or less.

2. For loans that will reach maturity in 1 year or less, floating- and fixed-rate loans are not categorized separately.

Loans and Acceptances and Guarantees by Type of Collateral

Loans by Type of Collateral (Millions of yen) (Millions of U.S. dollars)

	March 31, 2008	March 31, 2008
Securities	¥ 580	\$ 6
Receivables	14,545	145
Merchandise	—	—
Real estate	—	—
Others	—	—
Sub-total	15,125	151
Guarantees	—	—
Credit	3,756,401	37,493
Total	¥3,771,527	\$37,644

Acceptances and Guarantees by Type of Collateral (Millions of yen) (Millions of U.S. dollars)

	March 31, 2008	March 31, 2008
Securities		
Receivables	¥ —	\$ —
Merchandise	—	—
Real estate	—	—
Others	—	—
Sub-total	—	—
Guarantees	—	—
Credit	—	—
Total	¥ —	\$ —

Loans by Purpose

(Millions of yen, millions of U.S. dollars, %)

	March 31, 2008		
	Amount		Pct.
Funds for capital investment	¥ 690	\$ 7	0.01%
Funds for working capital	3,770,837	37,637	99.98
Total	¥3,771,527	\$37,644	100.00

Loans by Industry

(Millions of yen, millions of U.S. dollars, %)

	March 31, 2008		
	Amount		Pct.
Agriculture, forestry, fishing, and mining	¥ —	\$ —	—%
Manufacturing	7,821	78	0.20
Utilities, information/communications, and transportation	—	—	—
Wholesale and retail	6,391	64	0.16
Finance and insurance	3,735,689	37,286	99.05
Construction and real estate	5,000	50	0.13
Services	1,500	14	0.04
National and local governments	—	—	—
Others	15,125	151	0.40
Total	¥3,771,527	\$37,644	100.00

Note: All loans are within Japan.

Loans to Individuals and Small and Midsize Enterprises

(Millions of yen, %)

(Millions of U.S. dollars, %)

	March 31, 2008	March 31, 2008
Total loans (A)	¥3,771,527	\$37,644
Loans to small and midsize enterprises (B)	15,125	151
(B)/(A)	0.40%	0.40%

Note: Small and midsize enterprises are defined as companies with capital of not more than ¥300 million (not less than ¥100 million for wholesaling businesses and not less than ¥50 million for retail and service businesses) or companies that use no more than 300 employees on a regular basis (no more than 100 employees for wholesaling businesses, 50 employees for retail businesses, and 100 employees for service businesses).

■ Balance of Foreign Monetary Claims

(Millions of yen)

	March 31, 2008
Total	¥ —
Pct. of total assets	—
No. of countries	—

■ Loan-Deposit Ratio

(Millions of yen, %)

	March 31, 2008		
	Domestic operations	International	Total
Loans (A)	¥ 3,771,527	¥ —	¥ 3,771,527
Deposits (B)	181,743,807	—	181,743,807
Loan-deposit ratio (A/B)	2.07%	—	2.07%
Loan-deposit ratio (average for fiscal period)	2.10%	—	2.10%

(Millions of U.S. dollars, %)

	March 31, 2008		
	Domestic operations	International	Total
Loans (A)	\$ 37,643	\$ —	\$ 37,644
Deposits (B)	1,813,991	—	1,813,991
Loan-deposit ratio (A/B)	2.07%	—	2.07%
Loan-deposit ratio (average for fiscal period)	2.10%	—	2.10%

Notes: 1. Deposits are as defined by the corresponding liability item in the Banking Law Implementation Regulations.

2. The balance of deposits including accrued interest is ¥182,384,346 million.

3. Average loan-deposit ratio is for the period from October 1, 2007 to March 31, 2008.

■ Average Balance of Trading Account Securities by Type

(Millions of yen)

(Millions of U.S. dollars)

	Fiscal 2007	Fiscal 2007
Trading account Japanese government bonds	¥206	\$2
Trading account Japanese local government bonds	—	—
Trading account government guaranteed bonds	—	—
Other trading account securities	—	—
Total	¥206	\$2

Note: Average balances are for the period from October 1, 2007 to March 31, 2008.

■ Securities by Time to Maturity

(Millions of yen)

	March 31, 2008						
	1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	More than 10 years	Total
Japanese government bonds	¥34,774,364	¥41,965,281	¥32,846,635	¥17,562,310	¥27,179,890	¥2,444,675	¥156,773,157
Japanese local government bonds	1,943,227	2,383,545	900,478	1,369,600	902,395	—	7,499,247
Short-term corporate bonds	—	—	—	—	—	—	—
Corporate bonds	1,685,301	2,369,207	1,172,093	727,302	1,547,891	299,902	7,801,698
Stocks	—	—	—	—	—	—	—
Others	9,785	68,621	232,057	112,621	34,926	—	458,012
Foreign bonds	9,785	68,621	232,057	112,621	34,926	—	458,012
Foreign stocks	—	—	—	—	—	—	—
Total	¥38,412,678	¥46,786,655	¥35,151,265	¥19,771,835	¥29,665,104	¥2,744,577	¥172,532,116

(Millions of U.S. dollars)

	March 31, 2008						
	1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years to 7 years	More than 7 years to 10 years	More than 10 years	Total
Japanese government bonds	\$347,084	\$418,856	\$327,843	\$175,290	\$271,283	\$24,200	\$1,564,759
Japanese local government bonds	19,395	23,790	8,987	13,670	9,006	—	74,850
Short-term corporate bonds	—	—	—	—	—	—	—
Corporate bonds	16,821	23,647	11,698	7,259	15,450	2,993	77,869
Stocks	—	—	—	—	—	—	—
Others	98	685	2,316	1,124	349	—	4,571
Foreign bonds	98	685	2,316	1,124	349	—	4,571
Foreign stocks	—	—	—	—	—	—	—
Total	\$383,398	\$466,979	\$350,846	\$197,343	\$296,088	\$27,394	\$1,722,049

■ Securities by Type

At End of Fiscal Period

(Millions of yen)

(Millions of U.S. dollars)

	March 31, 2008	March 31, 2008
Domestic operations		
Japanese government bonds	¥156,773,157	\$1,564,759
Japanese local government bonds	7,499,247	74,850
Short-term corporate bonds	—	—
Corporate bonds	7,801,698	77,869
Stocks	—	—
Others	—	—
Total	¥172,074,103	\$1,717,478
International operations		
Others	¥ 458,012	\$ 4,571
Foreign bonds	458,012	4,571
Foreign stocks	—	—
Total	¥ 458,012	\$ 4,571
Total	¥172,532,116	\$1,722,049

Average Balances

(Millions of yen)

(Millions of U.S. dollars)

	Fiscal 2007	Fiscal 2007
Domestic operations		
Japanese government bonds	¥156,740,162	\$1,564,429
Japanese local government bonds	7,906,902	78,919
Short-term corporate bonds	—	—
Corporate bonds	7,445,295	74,312
Stocks	—	—
Others	—	—
Total	¥172,092,360	\$1,717,660
International operations		
Others	¥ 331,451	\$ 3,308
Foreign bonds	331,451	3,308
Foreign stocks	—	—
Total	¥ 331,451	\$ 3,308
Total	¥172,423,811	\$1,720,968

Note: Average balances are for the period from October 1, 2007 to March 31, 2008.

■ Foreign Bonds

Foreign Bonds by Currency (Millions of yen, millions of U.S. dollars, %)

	March 31, 2008		
	Market value	Market value	Pct.
Japanese yen	¥229,995	\$2,296	50.21%
Euro	121,828	1,216	26.59
U.S. dollar	88,331	882	19.28
Other	17,857	178	3.89
Total	¥458,012	\$4,571	100.00

■ Money Held in Trust

Assets by Type

(Millions of yen, millions of U.S. dollars, %)

	March 31, 2008		
	Market value	Market value	Pct.
Japanese stocks	¥334,035	\$3,334	84.49%
Foreign stocks	61,306	612	15.50
Total	¥395,341	\$3,946	100.00

Note: Market values are for stocks and do not include cash and deposits.

Assets by Currency

(Millions of yen, millions of U.S. dollars, %)

	March 31, 2008		
	Market value	Market value	Pct.
Japanese yen	¥334,035	\$3,334	84.49%
Euro	31,936	319	8.07
U.S. dollar	12,133	121	3.06
Other	17,236	172	4.35
Total	¥395,341	\$3,946	100.00

■ Securities-Deposit Ratio

(Millions of yen, %)

(Millions of U.S. dollars, %)

	March 31, 2008			March 31, 2008		
	Domestic operations	International operations	Total	Domestic operations	International operations	Total
Securities (A)	¥172,074,103	¥458,012	¥172,532,116	\$1,717,478	\$4,571	\$1,722,049
Deposits (B)	181,743,807	—	181,743,807	1,813,991	—	1,813,991
Securities-deposit ratio (A/B)	94.67%	—	94.93%	94.67%	—	94.93%
Securities-deposit ratio (average for fiscal period)	92.70%	—	92.88%	92.70%	—	92.88%

Notes: 1. Deposits are as defined by the corresponding liability item in the Banking Law Implementation Regulations.

2. The balance of deposits including accrued interest is ¥182,384,346 million.

3. The average securities-deposit ratio is for the period from October 1, 2007 to March 31, 2008.

■ Over-the-Counter Sales of Japanese Government Bonds

(Millions of yen)

(Millions of U.S. dollars)

	Fiscal 2007	Fiscal 2007
Long-term bonds	¥ 40,389	\$ 403
Medium-term bonds	383,662	3,829
Bonds for individuals	235,485	2,350
Total	¥659,537	\$6,583

Note: Figures are for the period from October 1, 2007 to March 31, 2008.

■ Domestic Exchange

Mutual Remittances

(Millions of yen, millions of U.S. dollars)

	Fiscal 2007		
	Remittances (thousands)	Amount	
Sent	108	¥1,564,318	\$15,614
Received	38	203,405	2,030

Notes: 1. Mutual remittances show domestic exchanges with other financial institutions.

2. Figures are for the period from October 1, 2007 to March 31, 2008.

Transfer Deposits

(Millions of yen, millions of U.S. dollars)

	Fiscal 2007		
	Remittances (thousands)	Amount	
Inpayment	628,644	¥34,631,336	\$345,657
Transfers	39,948	34,638,839	345,732
Outpayment	61,768	35,524,900	354,575

Note: Figures are for the period from October 1, 2007 to March 31, 2008.

Ordinary Remittances and Small-Amount Remittances

(Millions of yen, millions of U.S. dollars)

	Fiscal 2007		
	Remittances (thousands)	Amount	
Ordinary remittances	2,590	¥42,155	\$421
Small-amount remittances	11,935	5,977	60

Note: Figures are for the period from October 1, 2007 to March 31, 2008.

■ Foreign Exchange

(Millions of U.S. dollars)

Fiscal 2007	
Transactions (thousands)	Amount
230	\$632

Notes: 1. Foreign exchange figures are the total for international remittances and purchases and sales of traveler's checks.

2. Figures are for the period from October 1, 2007 to March 31, 2008.

Status of Monetary Claims

■ Risk-Monitored Loans

(Millions of yen)

	March 31, 2008
Bankrupt loans	¥ —
Non-accrual loans	—
Past due 3 months or more	—
Restructured loans	—
Total	¥ —

■ Disclosure under Financial Reconstruction Law

(Millions of yen) (Millions of U.S. dollars)

	March 31, 2008	March 31, 2008
Borrowers classified as bankrupt or quasi-bankrupt	¥ —	\$ —
Borrowers classified as doubtful	—	—
Borrowers classified as sub-standard	—	—
Sub-total	—	—
Borrowers classified as normal	3,785,615	37,784
Total	¥3,785,615	\$37,784

INDEX

Corporate Data	53
1 Directors and Executive Officers	54
2 Organization Chart	55
3 Shareholder Information	56

1 Directors and Executive Officers

(As of July 1, 2008)

1) Directors

Koji Furukawa	Chairman & CEO*
Shokichi Takagi	President & COO*
Atsushi Kinebuchi	Former Director and Executive Vice President of Nomura Asset Management Co., Ltd.
Yoshifumi Nishikawa	Director, Representative Executive Officer and President (CEO) of Japan Post Holdings
Fumio Masada	Former Director and Executive Vice President of Nippon Life Insurance Company
Noboru Matsuda	Attorney

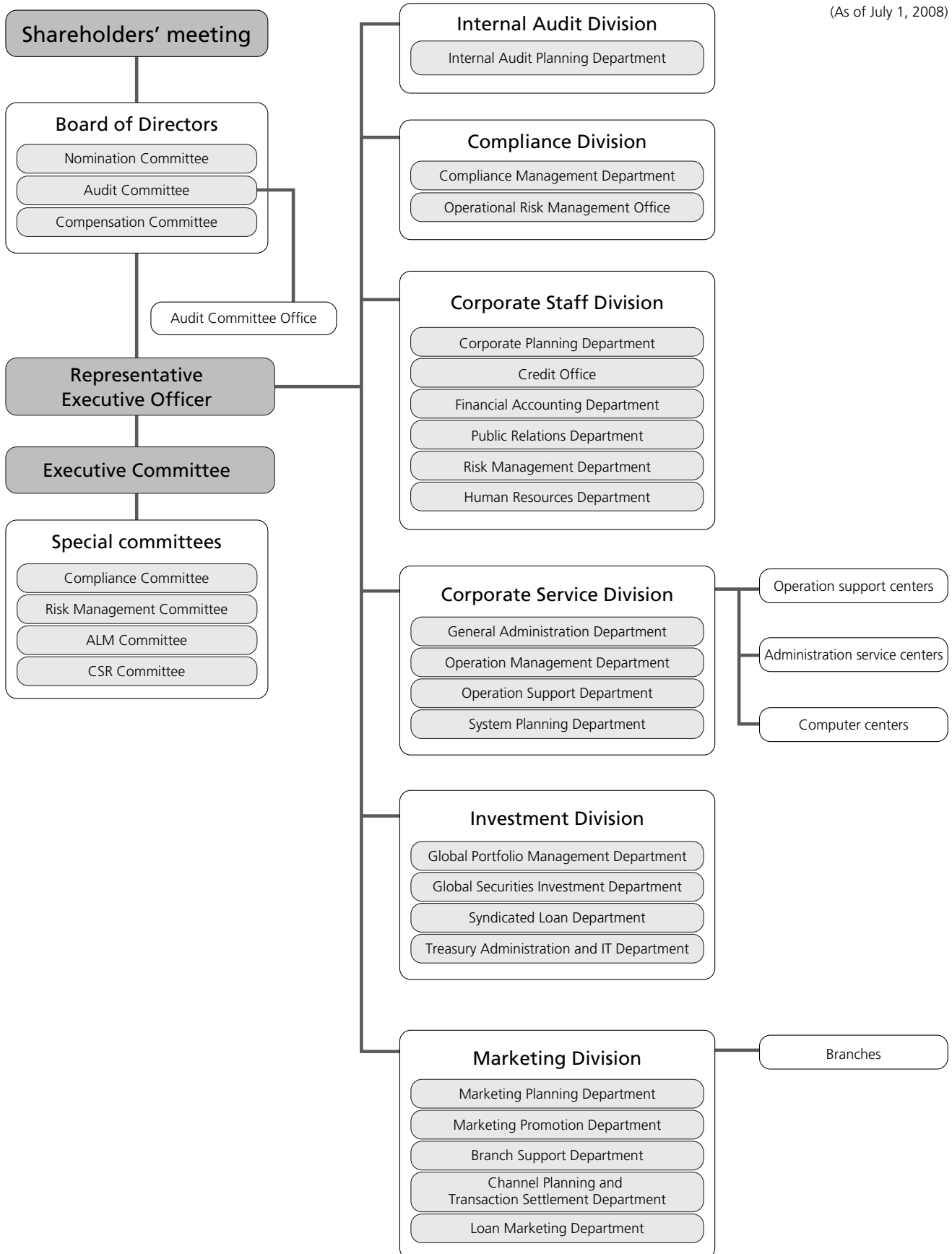
2) Executive Officers

Koji Furukawa	Chairman & CEO*
Shokichi Takagi	President & COO* (Director and Deputy President of Japan Post Holdings)
Tomohiro Yonezawa	Executive Vice President (Senior Managing Executive Officer of Japan Post Holdings)
Sumio Fukushima	Executive Vice President
Tomohisa Mase	Senior Managing Executive Officer
Shuichi Ikeda	Managing Executive Officer
Riki Mukai	Managing Executive Officer
Hiroshi Yamada	Managing Executive Officer
Satoshi Hoshino	Managing Executive Officer
Akira Iwasaki	Managing Executive Officer (Managing Executive Officer of Japan Post Network)
Toru Takahashi	Managing Executive Officer
Akira Uno	Managing Executive Officer
Hiroichi Shishimi	Executive Officer
Osami Niihori	Executive Officer
Naoto Misawa	Executive Officer
Satoru Ito	Executive Officer (Executive Officer of Japan Post Network)
Takashi Usuki	Executive Officer
Kunihiko Amaha	Executive Officer
Susumu Tanaka	Executive Officer
Yoko Makino	Executive Officer
Masahiro Murashima	Executive Officer

* Representative Executive Officer

2 Organization Chart

(As of July 1, 2008)



3 Shareholder Information

(As of March 31, 2008)

Name	Shares held	Pct.
Japan Post Holdings Co., Ltd.	150,000 thousand	100.00%

INDEX

Financial Data	57
1 Financial Statements (Non-consolidated)	58
Balance Sheet	58
Statement of Income	60
Statement of Changes in Net Assets	61
Significant Accounting Policies and Notes to Financial Statements	62
2 Derivatives	70
3 Balance of Reserve for Possible Loan Losses and Changes during the Fiscal Year	71
4 Write-off of Loans	71
5 Capital Position	72
Equity Capital	72
Instruments for Raising Capital	73
Assessment of Capital Adequacy	73
Credit Risk	75
Credit Risk Mitigation Methodology	78
Derivative Transactions and Transactions with Long-Term Settlements	79
Securitization Exposure	80
Operational Risk	81
Investments, Stock, and Other Exposure in Banking Account	81
Interest Rate Risk in Banking Account	81

Note: Since the yen figures in the financial statements have been truncated,
the totals do not necessarily agree with the sum of the individual amounts.

Financial Data

1 Financial Statements (Non-consolidated)

The non-consolidated financial statements of Japan Post Bank Co., Ltd. were prepared in accordance with the provisions of Article 20, Paragraph 1 of the Banking Law and were audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act.

Balance Sheet

At March 31, 2008

(Millions of yen) (Millions of U.S. dollars)

Item	Amount	Amount
Assets		
Cash and due from banks	¥ 8,835,055	\$ 88,183
Cash	192,491	1,921
Due from banks	8,642,564	86,262
Call loans	3,655,000	36,481
Receivables under resale agreements	149,803	1,495
Monetary claims bought	20,908	209
Trading account securities	172	2
Trading Japanese government bonds	172	2
Money held in trust	412,570	4,118
Securities	172,532,116	1,722,049
Japanese government bonds	156,773,157	1,564,759
Japanese local government bonds	7,499,247	74,850
Japanese corporate bonds	7,801,698	77,869
Other securities	458,012	4,571
Loans	3,771,527	37,644
Loan on deeds	3,502,875	34,962
Overdrafts	268,651	2,681
Foreign exchanges	13,453	134
Due from foreign banks	13,362	133
Foreign bills bought and foreign exchanges purchased	90	1
Other assets	22,514,239	224,715
Domestic exchange settlement account—debit	14,748	147
Pre-paid expenses	423	4
Accrued income	333,950	3,333
Derivatives other than that for trading	26	0
Deposits to the fiscal loan fund	20,700,000	206,607
Other assets	1,465,090	14,623
Tangible fixed assets	186,469	1,861
Buildings	80,470	803
Land	27,121	271
Construction in progress	44	0
Other tangible fixed assets	78,833	787
Intangible fixed assets	27,106	271
Software	22,652	226
Other intangible fixed assets	4,454	44
Deferred tax assets	32,269	322
Reserve for possible loan losses	(1,510)	(15)
Total Assets	¥212,149,182	\$2,117,469

At March 31, 2008

(Millions of yen) (Millions of U.S. dollars)

Item	Amount	Amount
Liabilities		
Deposits	¥181,743,807	\$1,813,991
Transfer deposits	7,500,480	74,863
Ordinary deposits	48,243,513	481,520
Savings deposits	511,045	5,101
Time deposits	5,798,826	57,878
Special deposits	109,519,634	1,093,119
TEIGAKU deposits	9,796,566	97,780
Other deposits	373,739	3,730
Borrowed money	20,700,000	206,607
Borrowings	20,700,000	206,607
Foreign exchanges	327	3
Foreign bills sold	227	2
Foreign bills payable	100	1
Other liabilities	1,496,986	14,941
Domestic exchange settlement account, credit	22,451	224
Income taxes payable	43,457	434
Accrued expenses	867,260	8,656
Unearned income	12	0
Derivatives other than that for trading	120	1
Other liabilities	563,684	5,626
Reserve for employees' bonuses	6,227	62
Reserve for employees' retirement benefits	124,932	1,247
Reserve for directors' retirement benefits	45	0
Total Liabilities	¥204,072,327	\$2,036,853
Net Assets		
Common stock	3,500,000	34,934
Capital surplus	4,296,285	42,881
Capital surplus reserve	4,296,285	42,881
Retained earnings	206,577	2,062
Other retained earnings	206,577	2,062
Retained earnings brought forward	206,577	2,062
Total shareholders' equity	8,002,862	79,877
Net unrealized gains on available-for-sale securities	73,992	739
Total valuation and translation adjustments	73,992	739
Total Net Assets	¥ 8,076,855	\$ 80,615
Total Liabilities and Net Assets	¥212,149,182	\$2,117,469

See significant accounting policies and notes to financial statements.

Statement of Income

For the year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(Millions of yen)

(Millions of U.S. dollars)

Item	Amount	Amount
Operating income	¥1,328,904	\$13,264
Interest income	1,265,087	12,627
Interest on loans	22,847	228
Interest and dividends on securities	936,981	9,352
Interest on call loans	5,993	60
Interest on receivables under resale agreements	297	3
Interest on receivables under securities borrowing transactions	15,767	157
Interest on deposits with banks	9,222	92
Other interest income	273,977	2,735
Fees and commissions	59,556	594
Fees and commissions on domestic and foreign exchanges	35,296	352
Other fees and commissions	24,259	242
Other operating income	703	7
Gain on sale of Japanese Government Bonds and other bonds	366	4
Others	336	3
Other income	3,557	36
Others	3,557	36
Operating expenses	¥1,072,732	\$10,707
Interest expenses	394,863	3,941
Interest on deposits	181,412	1,811
Interest on payables under securities lending transactions	15,536	155
Interest on borrowings and rediscounts	197,357	1,970
Other interest expenses	557	6
Fees and commissions	9,704	97
Fees and commissions on domestic and foreign exchanges	37	0
Other fees and commissions	9,666	96
Other operating expenses	1,218	12
Losses on foreign exchange transactions	1,214	12
Loss on sales of bonds	3	0
Loss on redemption of bonds	0	0
Others	0	0
General and administrative expenses	617,787	6,166
Other expenses	49,158	491
Provision for reserve for possible loan losses	495	5
Write-off of loans	12	0
Loss on money held in trust	14,905	149
Others	33,745	337
Net operating income	¥ 256,171	\$ 2,557
Extraordinary gain	159	2
Reversal of reserve for possible loan losses	159	2
Extraordinary loss	490	5
Loss on disposal of fixed assets	489	5
Impairment loss	1	0
Income before income taxes	¥ 255,840	\$ 2,554
Income taxes		
Current	132,277	1,320
Deferred	(28,617)	(286)
Net income	¥ 152,180	\$ 1,519

Note: The Bank's effective tax rate, including national and local taxes, was 40.69%, for the fiscal year ended March 31, 2008.

See significant accounting policies and notes to financial statements.

Statement of Changes in Net Assets

For the year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(Millions of yen)

	Shareholders' equity					Total shareholder's equity
	Common stock	Capital surplus		Retained earnings		
		Capital surplus reserve	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at March 31, 2007	¥ 50	¥ 50	¥ 50	¥ (21)	¥ (21)	¥ 78
Changes of items during the period						
Issuance of new stock	3,499,950	4,296,235	4,296,235			7,796,185
Tax effect (deferred) due to privatization				54,418	54,418	54,418
Net income				152,180	152,180	152,180
Changes in items other than shareholders' equity (Net)						
Total changes of items during the period	¥3,499,950	¥4,296,235	¥4,296,235	¥206,598	¥206,598	¥8,002,784
Balance at March 31, 2008	¥3,500,000	¥4,296,285	¥4,296,285	¥206,577	¥206,577	¥8,002,862

	Valuation and translation adjustments		Total net assets
	Net unrealized gain on available-for-sale securities	Total valuation and translation adjustments	
Balance at March 31, 2007	¥ —	¥ —	¥ 78
Changes of items during the period			
Issuance of new stock			7,796,185
Tax effect (deferred) due to privatization			54,418
Net income			152,180
Changes in items other than shareholders' equity (Net)	73,992	73,992	73,992
Total changes of items during the period	¥73,992	¥73,992	¥8,076,777
Balance at March 31, 2008	¥73,992	¥73,992	¥8,076,855

For the year ended March 2008 (January 1, 2007 – March 31, 2008)

(Millions of U.S. dollars)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus		Retained earnings		
		Capital surplus reserve	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at March 31, 2007	\$ 0	\$ 0	\$ 0	\$ (0)	\$ (0)	\$ 1
Changes of items during the period						
Issuance of new stock	34,933	42,881	42,881			77,814
Tax effect (deferred) due to privatization				543	543	543
Net income				1,519	1,519	1,519
Changes in items other than shareholders' equity (Net)						
Total changes of items during the period	\$34,933	\$42,881	\$42,881	\$2,062	\$2,062	\$79,876
Balance at March 31, 2008	\$34,934	\$42,881	\$42,881	\$2,062	\$2,062	\$79,877

	Valuation and translation adjustments		Total net assets
	Net unrealized gain on available-for-sale securities	Total valuation and translation adjustments	
Balance at March 31, 2007	\$ —	\$ —	\$ 1
Changes of items during the period			
Issuance of new stock			77,814
Tax effect (deferred) due to privatization			543
Net income			1,519
Changes in items other than shareholders' equity (Net)	739	739	739
Total changes of items during the period	\$739	\$739	\$80,615
Balance at March 31, 2008	\$739	\$739	\$80,615

See significant accounting policies and notes to financial statements.

Significant Accounting Policies and Notes to Financial Statements

(Fiscal year ended March 31, 2008)

■ Basis of Presenting Financial Statements (2008 Annual Report)

1. Japan Post Bank Co., Ltd. (the "Bank") became a private bank under the Banking Law of Japan following its Privatization on October 1, 2007 in accordance with the Law of Postal Service. Non-consolidated financial statements of the bank have been prepared in conformity with the Japan Company Law, the Banking Law of Japan and its related accounting regulations, 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.

"Transfer deposits" correspond with "Current deposits"; "TEIGAKU deposits" with "Other deposits" under Liabilities in accordance with the Banking Law Implementation Regulations. "Special deposits" are deposits with banks made by Management Organization for Postal Savings and Postal Life Insurance.

2. The bank has no subsidiaries or affiliates to be consolidated in its accounts.
3. Figures stated in U.S. dollars have been converted from Japanese yen at the exchange rate prevailing on March 31, 2008, which was ¥100.19 = U.S.\$1.00.
4. Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

■ Significant Accounting Policies

1. Trading account securities

Trading account securities of the Bank are stated at fair market value.

2. Securities

(1) Held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities (including unrealized gains and unrealized losses arising from foreign exchange rate changes, excluding cases where the fair-value hedge method is used to reduce exposure to exchange rate fluctuations on the portion of the net unrealized gain/loss on other securities exposed to foreign exchange fluctuation risk) are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on these securities are computed using moving average cost. Other securities with no available fair market value are stated at cost or amortized cost using the moving average method.

(2) Securities (stocks) invested in money held in trust, which is solely entrusted by the Bank for security trading purpose, are stated at the fair market value. Realized gains and losses on these securities are

computed using the average market price of the final month in the fiscal year.

Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

3. Derivative financial instruments other than trading purposes
Derivative financial instruments are valued on the assumption that they are settled at the balance sheet date, applying the mark-to-market accounting method.
4. Depreciation for tangible fixed assets
Tangible fixed assets at March 31, 2008 are depreciated using the declining-balance method over the following estimated useful lives. Buildings are depreciated using the straight-line method over the following estimated useful lives.
 - Buildings: 3 to 50 years
 - Equipment: 2 to 75 years
5. Depreciation for intangible fixed assets
Depreciation for intangible fixed assets is recorded using the straight-line method. Internal use software costs are depreciated using the straight-line method over the estimated useful life of five years.
6. Deferred assets
Stock issuance costs are recognized as expenses when incurred.
7. Foreign currency translation
Foreign currency assets and liabilities are translated into yen at the rates prevailing at the balance sheet date.
8. Reserve for possible loan losses
The Bank provides reserves for possible loan losses according to the following write-off and reserve standards.

For loans to borrowers who are legally bankrupt (due to bankruptcy, composition, suspension of transactions with banks by the rules of clearinghouses, etc.) or substantially bankrupt, a reserve is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees.

For loans to borrowers threatened with bankruptcy, 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 is considered to be necessary based on a solvency assessment. Loans to normal borrowers and borrowers requiring caution are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.
9. Reserve for employees' bonuses
Reserve for employees' bonus is provided for the estimated employees' bonuses attributable to fiscal year.

10. 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 (mainly 10 years).
11. Reserve for directors' retirement benefits
Reserve for directors' retirement benefits is provided in the amount of the estimated retirement benefits which are attributable to fiscal year.
12. Accounting for hedges
(1) Hedging against interest rate risk
The Bank uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets and liabilities.
The Bank applies for a part of assets and liabilities the exceptional treatments permitted for interest rate swaps.
(2) Hedging against foreign exchange fluctuation risk
The Bank uses the fair-value hedge method to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gain/loss on available-for-sale securities exposed to foreign exchange fluctuation risk.
The Bank specifies hedges in such a way that the major condition of hedged items and hedging instruments are almost the same, and that the hedges are considered to be highly effective.
13. National and local consumption taxes
National and local consumption taxes of the Bank are accounted for using the tax-exclusion method.
14. Adoption of the consolidated taxation system
In the year ended March 31, 2008, the Bank adopted the consolidated taxation system designating Japan Post Holdings as the parent company.

■ Notes to Financial Statements

Notes to balance sheet

- Japanese government bonds include ¥1,171,519 million (\$11,693 million) of unsecured loaned securities for which borrowers have the right to sell or pledge.
As for the unsecured borrowed securities for which the Bank has the right to sell or pledge and the securities which the Bank purchased under resale agreements and borrowed with cash collateral, that are permitted to be sold or pledged without restrictions, ¥152,111 million (\$1,518 million) of securities are held in hand as of the balance sheet date.
- Loans didn't include "Bankrupt loans" and "Past-due loans" and "Past-due loans (three months or more)" and "Restructured loans."
- Assets pledged at March 31, 2008
Assets pledged as collateral were as follows:
Securities ¥113,317,421 million (\$1,131,025 million)
The above pledged assets secure the following liabilities:
Deposits ¥109,535,882 million (\$1,093,282 million)
In addition to the above, assets pledged as collateral include securities pledged as collateral for overdraft at the Bank of Japan in the amount of ¥1,361,157 million (\$13,586 million).
Other assets include guarantees in the amount of ¥432 million (\$4 million).
- Commitment lines
Loan agreements and commitment line agreements relating to loans are agreements which oblige the Bank 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 the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements at March 31, 2008 amounted to ¥1,000 million (\$10 million). Of this amount, ¥1,000 million (\$10 million) relates to loans in which the term of the agreement is one year or less, or unconditional cancellation of the agreement is 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 loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements which 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. The Bank takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank in the form of real estate, securities, etc., on signing the loan agreement or in accordance with the Bank established internal procedures for confirming the obligor's financial condition, etc.
- Accumulated depreciation on fixed assets: ¥23,394 million (\$233 million)
- Net assets per share: ¥53,845.70 (\$537.44)

7. Total amount of monetary assets related to affiliates:
¥22,302 million (\$223 million)
8. Total amount of monetary liabilities related to affiliates:
¥115,364 million (\$1,151 million)
9. Projected benefit obligation (Millions of yen)

Projected benefit obligation	(124,361)
Unfunded projected benefit obligation	(124,361)
Unrecognized net actuarial gain or loss	(571)
Net amount recorded on the balance sheet	(124,932)
Reserve for employees' retirement benefits	(124,932)

(Millions of U.S. dollars)

Projected benefit obligation	(1,241)
Unfunded projected benefit obligation	(1,241)
Unrecognized net actuarial gain or loss	(6)
Net amount recorded on the balance sheet	(1,247)
Reserve for employees' retirement benefits	(1,247)

10. To establish the comprehensive information processing system for the Japan Post Group, Japan Post Holdings has signed contracts for the outsourcing of the provision of communications services for a fourth-generation system for business operations and for the outsourcing of the provision of communications services for a fourth-generation system for management information. Payments under the provisions of these long-term contracts are expected to total ¥51,063 million (\$510 million).

Notes to Statements of Income

1. Income from transactions with affiliated companies
Total interest income: ¥264 million (\$3 million)
Total fees and commissions: ¥13 million (\$0 million)
Total other operating income and other income: ¥104 million (\$1 million)
Expense for transactions with affiliated companies
Other expenses: ¥75,378 million (\$752 million)
2. Net income per share: ¥2,026.89 (\$20.23)
Net income per share for the period after privatization on October 1, 2007, based on the average number of common shares outstanding, was ¥1,019.41 (\$10.17).
3. Related party transactions
(1) Transactions with the parent company, major corporate shareholders, and others.

(Millions of yen)

Type of related party	Name of company or related party	Equity ownership (owned) percentage	Relationship with related party	Description of transactions	Transaction amount	Account	Year-end account balance
Parent company	JAPAN POST HOLDINGS Co., Ltd.	Owned (100%)	Directors with overlapping responsibilities (Business management)	Subscription to capital increase (Note 1)	¥298,944	—	—
				Payment of subsidy (Note 2)	¥ 51,185	—	—

(Millions of U.S. dollars)

Parent company	JAPAN POST HOLDINGS Co., Ltd.	Owned (100%)	Directors with overlapping responsibilities (Business management)	Subscription to capital increase (Note 1)	\$2,984	—	—
				Payment of subsidy (Note 2)	\$ 511	—	—

Transaction terms and method of setting transaction terms

- Notes: 1. Receives investment-in-kind (securities (JGBs))
2. Subsidy is paid in accordance with Article 122 of the Law of the Privatization of Postal Services

- (2) Subsidiary companies and affiliated companies, and others
There were no corresponding transactions.

- (3) Fellow subsidiaries, and others

(Millions of yen)

Type of related party	Name of company or related party	Equity ownership (owned) percentage	Relationship with related party	Description of transactions	Transaction amount	Account	Year-end account balance
Subsidiary of parent company	Japan Post Network Co., Ltd.	None	Outsourcing agreement for the provision of banking-related services, Directors with overlapping responsibilities	Payment for banking-related services outsourced (Note 1)	¥ 301,046	Other liabilities	¥ 53,473
				Payment for funds for banking-related services (Note 2)	¥1,563,387	Other assets	¥1,440,000
				—	—	Other liabilities	¥ 42,469

(Millions of U.S. dollars)

Subsidiary of parent company	Japan Post Network Co., Ltd.	None	Outsourcing agreement for the provision of banking-related services, Directors with overlapping responsibilities	Payment for banking-related services outsourced (Note 1)	\$ 3,005	Other liabilities	\$ 534
				Payment for funds for banking-related services (Note 2)	\$15,604	Other assets	\$14,373
				—	—	Other liabilities	\$ 424

Transaction terms and method of setting transaction terms

Notes: 1. Based on the total cost for banking-related services outsourced to Japan Post Network

2. Other assets:

Prepayment for assets to finance withdrawal of deposits under the banking-services-related outsourcing agreement

Transaction amount represents the average account balance (October 1, 2007 – March 31, 2008)

Other liabilities:

Amount outstanding between the Bank and Japan Post Network Co., Ltd. related to payments to customers under the banking services-related outsourcing agreement

Transaction amount is not presented because, being a settlement transactions, it is very large.

Transaction amount is exclusive of consumption and other taxes. Year-end balance includes consumption and other taxes.

- (4) Directors and major individual shareholders
There were no corresponding transactions.

Notes to Statement of Changes in Net Assets

1. Type and number of shares issued and of treasury stock were as follows:

Unit: 1,000 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 stock	2	149,998	—	150,000	Note
Treasury stock					
Common stock	—	—	—	—	

Note: Increase in stock is attributed mainly to the issuance of new shares for privatization.

2. Dividends policy is as follows:

Cash dividends applicable to the current fiscal year

Not applicable

Dividends for which the effective date falls after the end of the current fiscal year out of the dividends for which the record date is in the current fiscal year:

Resolution	Type of share	Aggregate amount of dividends	Source of funds	Dividends per share	Record date	Effective date
Board of Directors' resolution approved on May 29, 2008	Common shares	¥22,800 million	Retained earnings	¥152	As of March 31, 2008	As of May 30, 2008
Board of Directors' resolution approved on May 29, 2008	Common shares	\$228 million	Retained earnings	\$1.52	As of March 31, 2008	As of May 30, 2008

Securities

Japanese government bonds, Japanese local government bonds, Japanese corporate bonds, other securities, in addition to trading Japanese government bonds, CDs' included in due from banks and trust beneficiary certificates included in monetary claims bought.

1. Securities classified as trading purposes

(Millions of yen)

	March 31, 2008	
	Amount carried on the balance sheet	Valuation difference charged to income
Securities classified as trading purposes	¥172	¥—

(Millions of U.S. dollars)

	March 31, 2008	
	Amount carried on the balance sheet	Valuation difference charged to income
Securities classified as trading purposes	\$2	\$—

3. Others

The Company on October 1, 2007 received investment in kind from JAPAN POST HOLDINGS Co., Ltd. in accordance with the plan for assumption of business under Paragraph 1, Article 166 of the Law of the Privatization of Postal Services, pursuant to Paragraph 3, Article 96 of the Law of the Privatization of Postal Services. A summary of investment in kind is as follows:

Japan Post Bank Co., Ltd. (October 1, 2007)

Assets	¥223,376,491 million	Liabilities	¥215,879,249 million
		Net assets	¥ 7,497,241 million

Assets	\$2,229,529 million	Liabilities	\$2,154,699 million
		Net assets	\$ 74,830 million

2. Bonds classified as held-to-maturity with market value

(Millions of yen)

	March 31, 2008				
	Carrying amount on the balance sheet	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥129,548,188	¥131,912,587	¥2,364,398	¥2,417,521	¥53,122
Japanese local government bonds	7,232,314	7,351,184	118,869	121,480	2,611
Japanese corporate bonds	4,387,181	4,456,220	69,038	70,562	1,523
Total	¥141,167,684	¥143,719,991	¥2,552,307	¥2,609,565	¥57,258

(Millions of U.S. dollars)

	March 31, 2008				
	Carrying amount on the balance sheet	Market value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	\$1,293,025	\$1,316,624	\$23,599	\$24,129	\$530
Japanese local government bonds	72,186	73,372	1,186	1,213	26
Japanese corporate bonds	43,789	44,478	689	704	15
Total	\$1,409,000	\$1,434,474	\$25,475	\$26,046	\$571

Note: Market value: Market price on the balance sheet date

3. Available-for-Sale Securities with Market Value

(Millions of yen)

	March 31, 2008				
	Acquisition price	Carrying amount on balance sheet	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Total bonds	¥30,670,692	¥30,906,419	¥235,727	¥274,542	¥38,815
Japanese government bonds	27,026,090	27,224,969	198,878	237,085	38,206
Japanese local government bonds	263,195	266,932	3,737	3,761	23
Japanese corporate bonds	3,381,406	3,414,517	33,110	33,695	585
Other securities	487,266	478,921	(8,345)	2,641	10,986
Total	¥31,157,958	¥31,385,340	¥227,382	¥277,183	¥49,801

(Millions of U.S. dollars)

	March 31, 2008				
	Acquisition price	Carrying amount on balance sheet	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Total bonds	\$306,125	\$308,478	\$2,353	\$2,740	\$387
Japanese government bonds	269,748	271,733	1,985	2,366	381
Japanese local government bonds	2,627	2,664	37	38	0
Japanese corporate bonds	33,750	34,080	330	336	6
Other securities	4,863	4,780	(83)	26	110
Total	\$310,989	\$313,258	\$2,270	\$2,767	\$497

Note: Carrying value on the balance sheet: Fair market value on the balance sheet date

Other securities: Mainly foreign bonds

4. Held-to-Maturity Bonds Sold during the Fiscal Year

(Millions of yen)

	Fiscal 2007		
	Cost of sales	Sales amount	Profit/loss on sale
Japanese government bonds	¥4,100,403	¥4,100,544	¥140
Total	¥4,100,403	¥4,100,544	¥140

(Millions of U.S. dollars)

	Fiscal 2007		
	Cost of sales	Sales amount	Profit/loss on sale
Japanese government bonds	\$40,926	\$40,928	\$1
Total	\$40,926	\$40,928	\$1

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

Note: Profit/loss on sale includes interest on securities.

5. Available-for-Sale Securities Sold during the Fiscal Year

(Millions of yen)

	Fiscal 2007		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	¥732,235	¥366	¥3

(Millions of U.S. dollars)

	Fiscal 2007		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	\$7,308	\$4	\$0

6. Securities with no available market value

(Millions of yen)

(Millions of U.S. dollars)

	March 31, 2008	March 31, 2008
Other securities		
Negotiable certificates of deposit	¥3,814,000	\$38,068

7. Change of classification of securities

There are no corresponding transactions.

8. Redemption schedule of other securities with maturities and held-to-maturity bonds

(Millions of yen)

	March 31, 2008			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Total bonds	¥38,402,893	¥81,637,242	¥49,289,391	¥2,744,577
Japanese government bonds	34,774,364	74,811,916	44,742,201	2,444,675
Japanese local government bonds	1,943,227	3,284,024	2,271,995	—
Japanese corporate bonds	1,685,301	3,541,301	2,275,194	299,902
Other securities	3,773,785	365,887	149,549	3,698
Total	¥42,176,678	¥82,003,129	¥49,438,941	¥2,748,275

(Millions of U.S. dollars)

	March 31, 2008			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Total bonds	\$383,301	\$814,824	\$491,959	\$27,394
Japanese government bonds	347,084	746,700	446,574	24,400
Japanese local government bonds	19,395	32,778	22,677	—
Japanese corporate bonds	16,821	35,346	22,709	2,993
Other	37,666	3,652	1,493	37
Total	\$420,967	\$818,476	\$493,452	\$27,431

Money Held in Trust

1. Money held in trust for trading purposes

There are no corresponding transactions.

2. Money held in trust classified as held-to-maturity

There are no corresponding transactions.

3. Other money held in trust (Excluding those classified as for trading and held to maturity)

(Millions of yen)

	March 31, 2008				
	Acquisition cost	Carrying value on balance sheet	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	¥515,188	¥412,570	¥(102,618)	¥2,045	¥104,663

(Millions of U.S. dollars)

	March 31, 2008				
	Acquisition cost	Carrying value on balance sheet	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Other money held in trust	\$5,142	\$4,118	\$(1,024)	\$20	\$1,045

Notes: 1. Carrying value on the balance sheet represents the average market price in the one month period before the balance sheet date

2. In the case of money held in trust, securities (equity securities) with market quotations under management as trust assets, whose market values showed a substantial decline from their acquisition costs and were not judged to recover to their book values are restated at fair market price on the balance sheet and valuation differences are charged to income (hereafter "Impairment Loss") in the year in which they are recognized. The amount of impairment losses for the year ended March 31, 2008 amounted to ¥12,240 million (\$122 million). Securities were judged as impaired when their market values showed a substantial decline from their book value. Securities were judged as impaired:

- When their market value was 50% or less of their acquisition cost

- When their market values were 50% to 70% lower than their acquisition cost and their market value were lower than a certain minimum.

Income taxes

Significant components of deferred tax assets and liabilities were as follows:

(Millions of yen)

Deferred tax assets:	
Reserve for possible loan losses	614
Reserve for employees' retirement benefits	50,839
Accumulated depreciation	9,781
Other	23,171
Total deferred tax assets	84,407
Deferred tax liabilities:	
Net unrealized gains on other securities	50,770
Other	1,367
Total deferred tax liabilities	52,138
Net deferred tax assets	32,269

(Millions of U.S. dollars)

Deferred tax assets:	
Reserve for possible loan losses	6
Reserve for employees' retirement benefits	507
Accumulated depreciation	98
Other	231
Total deferred tax assets	842
Deferred tax liabilities:	
Net unrealized holding gains on other securities	507
Other	14
Total deferred tax liabilities	520
Net deferred tax assets	322

2 Derivatives

Derivative transactions to which the hedge accounting method is applied are not included in the amounts below.

1. Interest rate derivatives

There are no corresponding transactions.

2. Currency derivatives

(Millions of yen)

		March 31, 2008			
		Contract/Notional principal		Market value	Unrealized gains/losses
			Maturity over one year		
Transactions listed on exchanges	Currency futures				
	Sold	¥ —	¥ —	¥ —	¥ —
	Bought	—	—	—	—
Over-the-counter	Currency swaps	—	—	—	—
	Forward foreign exchange				
	Sold	—	—	—	—
	Bought	8,424	—	(93)	(93)
	Currency options				
	Sold	—	—	—	—
Bought	—	—	—	—	
Total				¥(93)	¥(93)

(Millions of U.S. dollars)

		March 31, 2008			
		Contract/Notional principal		Market value	Unrealized gains/losses
			Maturity over one year		
Transactions listed on exchanges	Currency futures				
	Sold	\$ —	\$ —	\$ —	\$ —
	Bought	—	—	—	—
Over-the-counter	Currency swaps	—	—	—	—
	Forward foreign exchange				
	Sold	—	—	—	—
	Bought	84	—	(1)	(1)
	Currency options				
	Sold	—	—	—	—
Bought	—	—	—	—	
Total		—	—	\$ (1)	\$ (1)

Notes: 1. Derivatives included in the above table are measured at fair value and unrealized gains and losses are recognized in income.

2. Fair values: The fair values are calculated mainly by using the discounted present values or option pricing models.

3. Equity derivatives

There are no corresponding transactions.

4. Bond derivatives

There are no corresponding transactions.

5. Other derivatives

There are no corresponding transactions.

3 Balance of Reserve for Possible Loan Losses and Changes during the Fiscal Year

(Millions of yen)

	Fiscal 2007			
	Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period
General reserve	¥—	¥ 987	¥ 36	¥ 950
Specific reserve	—	1,538	978	559
Total	¥—	¥2,525	¥1,015	¥1,510

(Millions of U.S. dollars)

	Fiscal 2007			
	Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period
General reserve	\$—	\$10	\$ 0	\$ 9
Specific reserve	—	15	10	6
Total	\$—	\$25	\$10	\$15

Note: The increases in the general reserve and the specific reserve during the period include ¥36 million and ¥978 million, respectively, taken over from Japan Post.

4 Write-off of Loans

(Millions of yen)

	Fiscal 2007
Write-off of loans	¥12

(Millions of U.S. dollars)

	Fiscal 2007
Write-off of loans	\$0

Note: The above amounts represent amortization of "other claims."

5 Capital Position

Equity Capital

■ Capital adequacy ratio (non-consolidated, domestic standard)

(Millions of yen, %)

Account		March 31, 2008
Tier I capital	Common stock	¥3,500,000
	Non-cumulative perpetual preferred stock	—
	Advance on subscription for new stock	—
	Capital surplus	4,296,285
	Retained earnings	206,577
	Treasury stock (deduction)	—
	Advance on subscription for treasury stock	—
	Cash dividends to be paid	(22,800)
	Unrealized gain/loss on other securities	—
	Stock acquisition rights	—
	Goodwill equivalents (deduction)	—
	Intangible fixed assets accounted as a result of merger (deduction)	—
	Capital increase due to securitization transactions (deduction)	—
	* Total Tier I capital (Total of above items) before deduction of deferred tax assets	—
	Deduction for deferred tax assets (Note)	—
	Total Tier I capital (A)	¥7,980,062
Tier II capital	Equity securities, etc. with probability of being redeemed (carrying covenant regarding step-up interest rate)	—
	45% of revaluation reserve for land	—
	General reserve for possible loan losses	950
	Capital raising through debt financing	—
	Items not included in Tier II capital	—
Total Tier II capital (B)	950	
Deductions	Deductions (C)	—
Total risk-based capital	Total risk-based capital ((A)+(B)-(C)) (D)	7,981,013
Risk assets	On-balance-sheet Items	4,920,454
	Off-balance-sheet Items	882,951
	Amount of operational risk equivalent, divided by 8%	3,487,041
	Risk assets, etc. (E)	9,290,447
Non-consolidated capital adequacy ratio (D/E)		85.90%
Tier I capital ratio (A/E)		85.89%

Note: Deferred tax assets were ¥32,269 million and the upper limit for inclusion of deferred tax assets in capital is ¥1,596,012.

* The non-consolidated capital adequacy ratio is calculated in line with provisions of Article 14-2 of the Banking Law 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 (the Financial Services Agency Notification No. 19 of March 27, 2006, hereinafter referred to as "the Notification").

* With regard to a part of the internal controls structure governing calculation of the capital adequacy ratio, Japan Post Bank received a report from KPMG AZSA & Co., which conducted certain procedures as an independent auditing firm. The procedures were agreed upon between Japan Post Bank and KPMG AZSA & Co. and were conducted in accordance with the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 30. The procedures were not conducted based on "generally accepted auditing principles," and we did not receive any audit opinion with regard to our internal controls structure or the related capital adequacy ratio.

Instruments for Raising Capital

Outline of instruments for raising capital

The Bank raises capital through equity financing. The methods used to raise capital are summarized below.

Number of shares

■ Shares issued: 150,000 thousand (common shares)

Assessment of Capital Adequacy

The Bank assesses its capital adequacy by comparing its capital against its risk exposure, including market risk and credit risk. The Bank also evaluates the quality of its capital by measuring the Tier I capital ratio, a parameter that includes its core capital, thus building a financial base comparable to its risk exposure.

In practice, the Bank evaluates its capital adequacy position by comparing its capital comprised of the core capital (Tier I + Tier II) plus risk capital, that includes a part

of unrealized valuation gains on other securities, with its risk exposure that includes market risk during the monitoring period, credit risk, and operational risk. The Bank evaluates the quality of its capital by measuring the weight of Tier I capital in risk capital.

The ALM Committee conducts monthly evaluations and reports the results to the ALM Committee, Management Committee, and the Board of Directors, thus creating a system to assure its capital adequacy.

■ Total required capital, capital adequacy ratio, and Tier I capital ratio (non-consolidated)

(Millions of yen, %)

	March 31, 2008
(1) Capital requirement for credit risk	¥232,136
Portfolios applying the standardized approach	231,765
Securitization exposures	370
(2) Capital requirement for operational risk	139,481
The basic indicator approach	139,481
(3) Total non-consolidated capital requirements ((1) + (2))	371,617
(4) Non-consolidated capital adequacy ratio	85.90%
(5) Non-consolidated Tier I capital ratio	85.89%

■ Amount of capital required for credit risk (on-balance sheet items)

(Millions of yen)

Item	(Reference) Risk weight, Note 2, (%)	March 31, 2008
1 Cash	0	¥ 0
2 Japanese government and the Bank of Japan	0	0
3 Foreign national governments and central banks	0-100	17
4 Bank for International Settlements, etc.	0	—
5 Japanese local public agencies	0	0
6 Foreign public-sector agencies, other than central governments	20-100	201
7 International Development Bank	0-100	—
8 Japanese government agencies	10-20	19,185
9 Three regional public corporations	20	—
10 Financial institutions and Class 1 Financial Product Brokers	20-100	67,388
11 Corporations	20-100	83,574
12 Small and medium-size enterprises and individuals	75	—
13 Residential housing loans	35	—
14 Project finance (acquisition of real estate)	100	—
15 Past-due (three months or more)	50-150	0
16 Outstanding drafts	20	—
17 Guaranteed by Credit Guarantee Association	10	—
18 Guaranteed by Industrial Revitalization Corporation of Japan	10	—
19 Investments in capital and others	100	15,820
20 Other than above	100	10,258
21 Securitization (originator only)	20-100	—
22 Securitization (excluding originator)	20-100	370
23 Assets, included pooled assets secured by a single asset (fund, etc.), that are difficult to identify specifically	—	—
24 Capital deductions	—	—
Total		¥196,818

Notes: 1. The amount of required capital is calculated as follows: (Credit risk assets x 4%)

2. Risk weight is based on the Notification.

■ Amount of capital required for credit risk (off-balance sheet items)

(Millions of yen)

Item	(Reference) Risk weight, Note 2, (%)	March 31, 2008
1 Commitment line that can be cancelled automatically or unconditionally at any time	0	¥ —
2 Commitment lines with original contracts of one year or less	20	1
3 Short-term trade contingent liabilities	20	—
4 Contingent liabilities arising from specific transactions (Principal reimbursement trust deeds without restructuring)	50	—
5 NIF or RUF	50	—
6 Commitment lines with original duration of one year or longer	50	—
7 Contingent liabilities arising from directly substituted credit (of which secured with loan guarantees)	100	—
(of which secured with securities)	100	—
(of which secured with draft acceptance)	100	—
(principal reimbursement trust deeds without restructuring)	100	—
(of which provision of credit derivative promotion)	100	—
8 Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—	—
Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	—
Deduction	—	—
9 Futures purchases, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	100	—
10 Securities lending, cash, or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	100	35,310
11 Derivative transactions	—	5
(1) Foreign exchange-related transactions	—	0
(2) Interest rate-related transactions	—	4
(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)	—	—
12 Long-term settlements	—	0
13 Accounts outstanding	—	—
14 Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	0-100	—
15 Off-balance sheet securitization exposure other than the above	100	—
16 Capital deductions	—	—
Total		¥35,318

Notes: 1. The amount of required capital is calculated as follows: (Credit risk assets x 4%)

2. Risk weight is based on the Notification.

Credit Risk

Outline of procedures for credit risk management

Please refer to the credit risk management discussion on page 25.

Ratings applied to portfolio covered by the standardized approach

■ Rating agencies used in making judgements on risk weights

Japan Post Bank uses four rating agencies, Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service Inc. (Moody's), and Standard and Poor's Rating Service (S&P), in addition to the Organization of Economic Cooperation and Development (OECD), for risk weighting.

■ Qualified rating agencies used to assess risk weighting by type of exposure

The following is a list of rating agencies employed by Japan Post Bank by type of exposure.

If multiple rating agencies have rated a risk, the Company selects the second smallest risk weight in accordance with the Notification.

Exposure		Rating agencies
National government and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Japanese local public agencies		R&I, JCR, Moody's, S&P
Foreign public agencies, other than foreign national governments		Moody's, S&P, OECD
International Development Bank		Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Financial institutions Class 1 financial product brokers	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Providing for corporations	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization		R&I, JCR, Moody's, S&P

Exposure by region, industry, and remaining period

■ Exposure by region and industry (March 31, 2008)

(Millions of yen)

Region	Industry	Loans, deposits, etc.	Bonds	Derivatives	Others	Total
Japan	Agriculture, forestry, fishery and mining	¥ —	¥ —	¥ —	¥ —	¥ —
	Manufacturing	7,823	292,823	—	—	300,647
	Utilities, information/communications, and transportation	—	3,134,349	—	14	3,134,363
	Wholesale and retail	6,402	152,491	—	—	158,893
	Finance and insurance	15,004,096 (115,653,403)	3,726,279	360	20,661	18,751,398 (115,653,403)
	Construction and real estate	5,001	309,324	—	2	314,329
	Services	1,441,500	145,027	—	44	1,586,572
	National and local government agencies	20,700,000	164,341,401	—	3,127	185,044,528
	Others	544,527	—	—	256,783	801,310
	Total	¥ 37,709,352 (115,653,403)	¥172,101,696	¥360	¥280,633	¥ 210,092,043 (115,653,403)
Overseas	Foreign governments and foreign regional government agencies	701	293,710	—	—	294,411
	Foreign banks	3,619,405	76,627	336	70	3,696,439
	Others	229,844	90,798	—	20	320,662
	Total	¥ 3,849,950	¥ 461,135	¥336	¥ 91	¥ 4,311,513
Grand total		¥ 41,559,302 (115,653,403)	¥172,562,832	¥697	¥280,725	¥ 214,403,557 (115,653,403)

Notes: 1. "Loans, deposits, etc." include loans, deposits with banks, call loans, and off-balance sheet assets other than derivatives.

Parentheses: Assets pledged to Management Organization for Postal Savings and Postal Life Insurance (off-balance sheet assets) are reported separately.

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

3. Derivatives include interest rate swaps, forward foreign exchange contracts

4. The amount of exposure represents the balance before deduction for specific reserve for possible loan losses but after the application of the credit risk mitigation method.

■ Exposure by time to maturity (March 31, 2008)

(Millions of yen)

Time to maturity	Loans, deposits, etc.	Bonds	Derivatives	Others	Total
1 year or less	¥ 22,191,289 (115,653,403)	¥ 38,734,867	¥110	¥ 7,407	¥ 60,933,675 (115,653,403)
Over 1 year to 3 years	8,763,973	46,752,433	586	—	55,516,993
Over 3 years to 5 years	128,149	35,053,983	—	—	35,182,133
Over 5 years to 7 years	192,334	19,673,963	—	—	19,866,298
Over 7 years to 10 years	905,027	29,625,054	—	—	30,530,082
Over 10 years	2,235,888	2,722,529	—	—	4,958,417
Exposures with no maturity dates	7,142,639	—	—	273,317	7,415,956
Total	¥ 41,559,302 (115,653,403)	¥172,562,832	¥697	¥280,725	¥ 214,403,557 (115,653,403)

Notes: 1. "Loans, deposits, etc." include loans, deposits with banks, call loans, and off-balance sheet assets other than derivatives.

Parentheses: Assets pledged to Management Organization for Postal Savings and Postal Life Insurance (off-balance sheet assets) are reported separately.

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

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

4. The amount of exposure represents the balance before deduction for the specific reserve for possible loan losses but after the application of the credit risk mitigation method.

Year-end balance of past-due (three months or more) exposure, default exposure, and a schedule of exposure by region and industry

There are no corresponding transactions.

Write-off of loans by industry and counterparty

There are no corresponding transactions.

Note:

Since only write-offs of loans, that is claims that fall under the Emergency Economic Package for Financial Reconstruction (hereafter, problem assets disclosed under the Financial Reconstruction Law), are reported, the amount is not equivalent to the amount (¥12 million) of loan write-offs for the current fiscal year.

Year-end balances and changes during the period of general reserve for possible loan losses, specific reserve for possible loan losses, and special reserve for certain overseas loans

■ By region

Year-end balance (As of March 31, 2008)

(Millions of yen)

	General reserve for possible loan losses	Specific reserve for possible loan losses	Special reserve for certain overseas loans
Total	¥8	¥—	¥—

Change during the period (Fiscal 2007)

(Millions of yen)

	General reserve for possible loan losses	Specific reserve for possible loan losses	Special reserve for certain overseas loans
Total	¥8	¥—	¥—

Notes: 1. A breakdown of the year-end balance by region (Japan and overseas) is not presented since only the general reserve for possible loan losses is disclosed.

2. The amounts are not equal to the balance of the reserve for possible loan losses (general reserve: ¥950 million, specific reserve: ¥559 million) since only the reserve for possible loan losses, etc. required to be disclosed pursuant to the Financial Reconstruction Law is presented.

■ By industry

Year-end balance (As of March 31, 2008)

(Millions of yen)

	General reserve for possible loan losses	Specific reserve for possible loan losses	Special reserve for certain overseas loans
Total	¥8	¥—	¥—

Change during the period (Fiscal 2007)

(Millions of yen)

	General reserve for possible loan losses	Specific reserve for possible loan losses	Special reserve for certain overseas loans
Total	¥8	¥—	¥—

Notes: 1. A breakdown of the year-end balance by industry is not presented since only the reserve for possible loan losses is disclosed.

2. The amounts are not equal to the balance of the reserve for possible loan losses (general reserve: ¥950 million, specific reserve: ¥559 million) since only the reserve for possible loan losses, etc. required to be disclosed pursuant to the Financial Reconstruction Law is presented.

Exposure by risk weight classification (As of March 31, 2008)

(Millions of yen)

Risk weight	Rated	Not rated
0%	¥183,812,750	¥ 11,807,621
10%	—	120,449,763
20%	11,354,228	—
35%	—	—
50%	403,507	—
75%	—	—
100%	122,302	2,106,786
150%	0	—
350%	—	—
Not rated	—	—
Capital deductions	—	—
Total	¥195,692,789	¥134,364,171

Notes: 1. Ratings are limited to those rated by qualified credit rating agencies.

2. The amount of exposure represents the balance before deduction for the specific reserve for possible loan losses but after the application of the credit risk mitigation method.

Credit Risk Mitigation Methodology

Outline of risk management policy and procedure

Japan Post Bank uses the "credit risk mitigation methodology" prescribed in the Notification for calculating the capital adequacy ratio. The credit risk mitigation methodology is a means of incorporating the effects of collateral, guarantees and other methods of lowering

credit risk in the calculation of the capital adequacy ratio. This method applies to qualified financial asset collateral, the netting of loans and self deposits, loan guarantees, and credit derivatives.

■ Types of qualified financial asset collateral

Japan Post Bank accepts only self deposits as financial assets that can be used as collateral.

■ Outline of policy and method for evaluating and managing collateral

When using credit risk mitigation methods, Japan Post Bank adopts the "simple approach" prescribed in the Notification.

Japan Post Bank has internal procedures that make possible the timely disposal or acquisition of qualified financial asset collateral based on contracts concerning collateral in accordance with transaction agreements and other documents.

■ Outline of policy and procedure for offsetting loans and self deposits and type and scope of transactions used

For the netting of loans and self deposits, the amount remaining after netting loans and self deposits based on the special items for netting in the bank transaction agreement and other documents is used as the amount of exposure for calculating the capital adequacy ratio.

Currently, there are no corresponding transactions.

■ Major types of guarantors and credit derivative counterparties and explanation of credit standing

This item applies to government-guaranteed bonds, which are guaranteed by the Japanese national government. There is no balance of credit derivatives.

■ Outline of policy and procedures when using legally effective netting contracts for derivative transactions and transactions with repurchase agreements and types and scope of these transactions

There are no corresponding transactions.

■ Information concerning credit risk associated with use of credit risk mitigation methodology and market risk concentration

There are no corresponding transactions.

■ Exposure to which credit risk mitigation methods are applied

(Millions of yen, %)

Item	March 31, 2008	
	Exposure	Composition ratio
Self deposits	¥109,788,309	96.34%
Guarantees	4,164,102	3.65
Total	¥113,952,412	100.00%

Derivative Transactions and Transactions with Long-Term Settlements

Outline of risk management policy and procedure

■ Policy for using collateral and calculating reserve for losses, effect on operations when additional collateral must be provided due to a decline in Japan Post Bank's financial condition

As required, Japan Post Bank enters into credit risk reduction contracts under which collateral is periodically exchanged in accordance with reconstruction costs and other expenses that arise between Japan Post Bank and derivative transaction counterparties. Under the provisions of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to a counterparty. However, we

believe that the provision of this collateral would have a negligible effect on our operations.

No collateral was provided for derivative transactions as of March 31, 2008.

The policy for calculating the reserve for losses from derivative transactions is the same as for ordinary balance sheet assets.

■ Policy for credit lines and allocation of capital used to take on risk

There are no particular concerns about the credit standing of Japan Post Bank's counterparties because the bank assigns credit ratings to all counterparties based on examinations of their financial soundness.

Japan Post Bank assigns debtor ratings to all counterparties for derivative transactions and establishes credit lines based on the rating of each counterparty. The credit lines are monitored on a daily basis. To manage the

amount of credit outstanding as part of credit risk management, the current exposure method is used, taking into account the current price of the derivative and risk of future price volatility.

Capital allocated for risk exposure associated with derivative transactions is included in capital allocated for all market risk.

■ Derivative transactions and long-term settlements

(Millions of yen)

Item	March 31, 2008		
	Gross reconstruction costs	Gross add-on amounts	Credit equivalents
Interest rate related transactions			
Interest rate swaps	¥ 86	¥500	¥586
Currency-related transactions			
Forward foreign exchange contracts	26	84	110
Long-term settlements	6	0	6
Total	¥119	¥584	¥704

Notes: 1. Credit equivalents are calculated using the "Country Exposure Method."

2. There are no outstanding credit derivatives or exposures to which the credit risk mitigation approach (CRM collateral) was applied.

3. Limited to exposures on which reconstruction costs were not below zero.

4. Among derivative transactions, only currency-related transactions with original contract periods of five business days or less are included as prescribed in the Notification.

5. Long-term settlements at Japan Post Bank represent equity transactions (delivery/receipt) with settlement periods exceeding five business days.

Securitization Exposure

Outline of risk management policy and procedure

As an investor, Japan Post Bank is exposed to risks associated with securitization. When acquiring securitization exposure, we check not only credit ratings of external agencies but also the underlying assets, senior and subordinate rights structure, the securitization scheme, and other items. Only after a thorough examination of these items do we assign a credit rating to the debtor and begin

making investments within the credit limit. After purchasing a securitized instrument, we monitor external credit ratings, the status of recovering the underlying assets, and other items. In addition, we include securitization exposure with credit risk in our calculations of the amount of credit risk. Interest rate risk for securitization exposure is included in the calculation of market risk.

Method used to calculate credit risk and assets for securitization exposure

Japan Post Bank uses the "standardized approach" prescribed in the Notification for calculating credit risk and assets for the determination of securitization exposure.

Credit rating agencies used for determination of risk weighting for each type of securitization exposure

Japan Post Bank uses the following qualified credit rating agencies for calculating credit risk and assets for the determination of securitization exposure.

- Rating and Investment Information, Inc.
- Japan Credit Rating Agency, Ltd.
- Moody's Investors Service, Inc.
- Standard & Poor's Ratings Service

Securitization exposure in which Japan Post Bank invests

■ Breakdown by type of original asset

(Millions of yen)

Type of original asset	March 31, 2008
	Balance
Residential mortgages	¥22,706
Auto loans	8,406
Leases	10,206
Consumer loans	5,005
Total	¥46,323

Note: There were no credit risk and assets calculated in accordance with Article 15 of the Supplementary Provisions of the Notification.

■ Balance by risk weight and amount of required capital

(Millions of yen)

Risk weight	March 31, 2008	
	Balance	Capital requirements
To 20%	¥ —	¥ —
20%	46,323	370
50%	—	—
100%	—	—
150%	—	—
Capital deductions	—	—
Total	¥46,323	¥370

Notes: 1. There were no credit risks and assets calculated in accordance with Article 15 of the Supplementary Provisions of the Notification.

2: The amount of required capital is calculated as follows:
(Credit risk assets x 4%)

Accounting policy for securitized instruments

For the recognition of the posting and removal on financial statements of financial assets and liabilities associated with securitization transactions as well as the valuation of these transactions and their accounting treatment, Japan Post Bank uses Corporate Accounting Standard No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

Operational Risk

Outline of risk management policy and procedure

Please refer to the operational risk management discussion on pages 28-29.

Method used for calculation of amount of operational risk

To calculate operational risk equivalent in relation to capital adequacy regulations, Japan Post Bank uses the basic indicator approach prescribed in the Notification.

Investments, Stock, and Other Exposure in Banking Account

Outline of risk management policy and procedure

Please refer to the market risk management and market liquidity risk management discussion on page 23.

Stock and other exposure

There are no corresponding transactions. This does not include stock investments that are part of money held in trust.

Interest Rate Risk in Banking Account

Outline of risk management policy and procedure

Please refer to the market risk management and market liquidity risk management discussion on page 23.

Outline of calculation method for interest rate risk in banking account for internal management purpose

Please refer to the market risk management and market liquidity risk management discussion on page 23.

Status of interest rate risk (Outlier ratio)

Basel II prescribes a ratio (known as the outlier ratio) to be used for the measurement of banking account interest rate risk. Japan Post Bank uses this ratio as one way to monitor the status of interest rate risk in its banking account. As of March 31, 2008, this ratio was as follows.

Due to the minimal amount of interest rate risk exposure at Japan Post Bank, management believes this risk poses no problem regarding business operations because there is an adequate amount of capital for any potential losses associated with interest rate risk.

(Millions of yen)

	Amount of loss	Capital (broad category, Tier I + Tier II)	Outlier ratio
March 31, 2008	¥2,084,659	¥7,981,013	26.12%

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

Note: For application of the outlier standard, with regard to the "Comprehensive Supervision Policy for Major Banks, Etc." of Japan's regulatory agencies, "Japan Post Bank is required by law to invest part of its assets in Japanese government bonds and other safe assets. Therefore, this special characteristic of the Bank's operations will be reflected when supervising its operations (in cases where the outlier standard is used)."

Introduction to the Japan Post Group

Group Management Philosophy

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 region.

Group Management Policy

- 1 We will respect our customers' point of view, exercise our creativity, and provide through our nationwide network a selection of products and services that customers truly appreciate.
- 2 We will establish the effective corporate governance and compliance programs, including internal audits and internal controls, needed for the self-reliant management of our four businesses.
- 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 aim to sell the shares of Japan Post Bank and Japan Post Insurance as soon as possible. Japan Post Holdings will prepare to go public at about the same time as these two Group companies.
- 5 We will create opportunities for all employees, business partners, and the community to grow and develop through mutual cooperation.

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 organization 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 valuable and high-quality services with value and quality 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.

あたらしい ふうをつくる。

“Atarashii-Futsu-wo-Tsukuru”⁽¹⁾

----- **“Futsu”⁽²⁾ expresses two thoughts** -----

“Futsu” represents the peace of mind and trust which customers have when using our services and which are invaluable assets for the Japan Post Group.

“Futsu” also represents the services available to anyone in Japan. The Japan Post Group will maintain universal services, the sources of peace of mind and trust, even after privatization.

----- **Thoughts expressed in “Atarashii-Futsu-wo-Tsukuru”** -----

“Atarashii-Futsu”⁽³⁾ should change constantly with the times, and, as they do not come into existence automatically, we need to create them.

Taking advantage of privatization, we will become a corporate group that creates new universal service, while emphasizing customers’ peace of mind and trust.

Notes 1: A Japanese expression by which we intend to show the creation of new value services

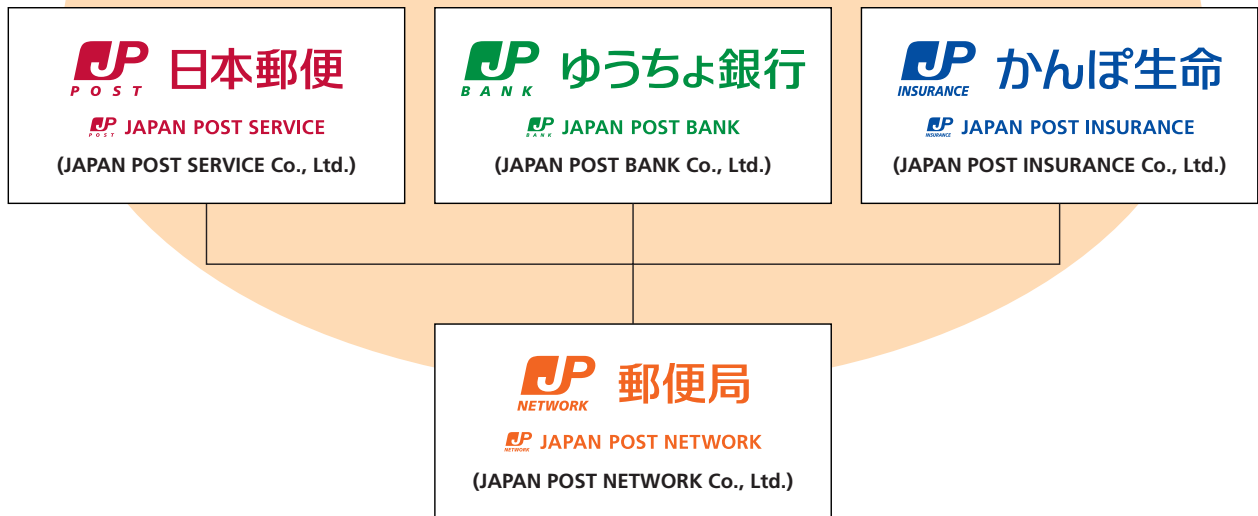
2: A Japanese word by which we intend to show value services

3: A Japanese expression by which we intend to show new value services

The slogan "Atarashii-Futsu-wo-Tsukuru" (a Japanese expression by which we intend to show the creation of new value services) expresses our goal of creating new universal services, based on our recognition of the importance of maintaining customers' peace of mind and trust.



JP JAPAN POST GROUP
(JAPAN POST HOLDINGS Co., Ltd.)



The Japan Post Group uses the nationwide network of Post Offices to distribute products and services in three categories (postal services, banking, and insurance) that the public can choose with peace of mind and confidence.

JAPAN POST BANK Co., Ltd., Corporate Staff Division, Public Relations Department

1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798

