JAPAN POST BANK

JAPAN POST BANK

Annual Report 2009

2009
JAPAN POST BANK Annual Report
Year ended March 31,2009

JAPAN POST BANK

PRINTED WITH SOY INK

This annual report was printed in Japan with soy-oil-based ink.

Dialogue

With over 130 years of experience in providing the most accessible financial services in Japan, we have become the most "grass-roots" bank among Japan's leading banks. The trust we have earned from virtually all the nation's citizens has been cultivated based on our ever-lasting commitment to serve the needs of each and every customer regardless of age, occupation, wealth, and location, and the Group's extensive network that extends to every corner in the country.

We understand that our customers' needs and expectations change over time.

Going forward, the only way to keep up with what our customers truly need, we believe, is to carefully listen to each and every customer through close and continuous dialogues. Through these ongoing dialogues, we hope to be able to come up with unique, tailored products and services for our customers and become a trusted partner that they can turn to in the future.

Contents

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

Dialogue

Dependability

We make a lifetime commitment to our customers, forming a mutual bond of trust.

Financial Highlights

1. Statements of Income

Years ended March 31	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Gross operating profit:	**¥1,746,765**	¥920,548	**$17,782,401**
Net interest income	**1,655,330**	871,211	**16,851,573**
Net fees and commissions	**91,096**	49,852	**927,379**
Net other operating income	**338**	(515)	**3,449**
General and administrative expenses (excluding non-recurring losses)	**(1,266,162)**	(617,738)	**(12,889,778)**
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	**480,602**	302,859	**4,892,623**
Ordinary income	**385,243**	256,171	**3,921,854**
Net income	**229,363**	152,180	**2,334,960**

Notes: 1. All figures, excluding those related to gross operating profit, for the fiscal year ended March 31, 2008 essentially derive banking operations for the six-month period following privatization on October 1, 2007. In addition, gains and losses (including a net loss of ¥731 million) of the preparatory planning company for privatization during the first half of the fiscal period have been included.

2. Gross operating profit figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

3. General and administrative expenses exclude employees' retirement benefits (non-recurring losses) and others.

2. Balance Sheets

As of March 31	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Total assets:	**¥196,480,796**	¥212,149,182	**$2,000,211,714**
Securities	**173,551,137**	172,532,116	**1,766,783,447**
Loans	**4,031,587**	3,771,527	**41,042,326**
Total liabilities:	**188,301,222**	204,072,327	**1,916,942,096**
Deposits	**177,479,840**	181,743,807	**1,806,778,383**
Net assets	**8,179,574**	8,076,855	**83,269,618**

3. Key Indicators and Others

Years ended March 31	% 2009	% 2008
Net income to assets (ROA)	**0.11**	0.14
Net income to equity (ROE)	**2.82**	3.85
Overhead ratio (OHR)	**72.48**	67.11
Deposit-to-expense ratio	**0.70**	0.66
Capital adequacy ratio (non-consolidated, domestic standard)	**92.09**	85.90
Tier I capital ratio	**92.08**	85.89
Employees	**11,675**	11,201

Notes: 1. Overhead ratio (OHR) = General and administrative expenses / Gross operating profit x 100

2. Deposit-to-expense ratio = General and administrative expenses / average deposit balances x 100

3. The non-consolidated capital adequacy ratio is calculated based on standards stipulated by Article 14-2 of the Banking Law (Financial Services Agency Notification No. 19, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. The Japan Post Bank adheres to capital adequacy standards applicable in Japan.

4. The number of employees excludes Japan Post Bank employees assigned to other companies by the Bank but includes employees assigned to the Japan Post Bank by other companies. The figures do not include short-term contract and part-time employees.

Corporate History

The Beginning of Postal Savings Services in Japan

Postal money order and postal savings services were established in Japan in 1875 by Hisoka Maejima, now known as the founding father of Japan's modern postal services.

Prior to implementing a postal system in Japan, Maejima spent time in the United Kingdom to study its long-standing postal system, which was implemented in 1840. During his studies, he found that the post offices in the United Kingdom were not involved solely in the postal business but also were carrying out postal money order and savings services. When he returned to Japan to establish the country's first postal system, he also introduced postal money order and savings services.

Postal transfer service (also known as the postal *giro* service), a money transfer service between postal savings accounts, was also introduced in 1906. After its introduction, further progress, including the development of a national network of post offices and improvement in service, was made in order to make our banking services more accessible to the Japanese people. Since then, postal savings services have become increasingly popular in Japan, making Japan one of the countries with largest number of deposit holders in the world.

Event

1868
The first ministry for transport and communications established.

1871
Postal service started. Postal Law drafted by Hisoka Maejima enforced, marking the start of postal services. Japan's first postal stamp issued. Post boxes set up and service made available to general citizens.

1875
Commenced postal money order and postal savings services. Began handling overseas mail.

1880
Started postal money order service for overseas remittances.

1906
Began money transfers between postal accounts nationwide.

1908
Postal savings reached ¥100 million.

1860 — 1870 — 1880 — 1890 — 1900


Hisoka Maejima, the founding father of modern postal services in Japan


View of the central postal government office and a map of post offices


A postman in Meiji era (far right)


A postal savings bank passbook circa 1875


A lobby where postal savings are being accepted, circa 1890


Poster advocating saving money for the future

Historical Backdrop

World

1862
Bismarck became Minister-President of Prussia (Germany Empire).

1870
Third Republic of France proclaimed.

1871
German Empire formed.

1877
U.K.'s Queen Victoria made Empress of India.

1889
Paris Exposition held (Eiffel Tower built to mark the 100th anniversary of the French revolution).

1903
Wright brothers successfully made the world's first piloted and powered airplane flight.

Japan

1867
Meiji Restoration took place and the last Edo Shogun returned political power to the Emperor.

1876
Decree banning the wearing of swords issued.

1889
Constitution of the Empire of Japan promulgated.

Administrative Reforms and Postal Services

Until recent years, post offices have provided postal money orders, savings, and transfer services (collectively, "postal savings services"), together with traditional mail and postal life insurance businesses as the three main public businesses. Government bodies managing and operating these post offices have gone through various changes over the years.

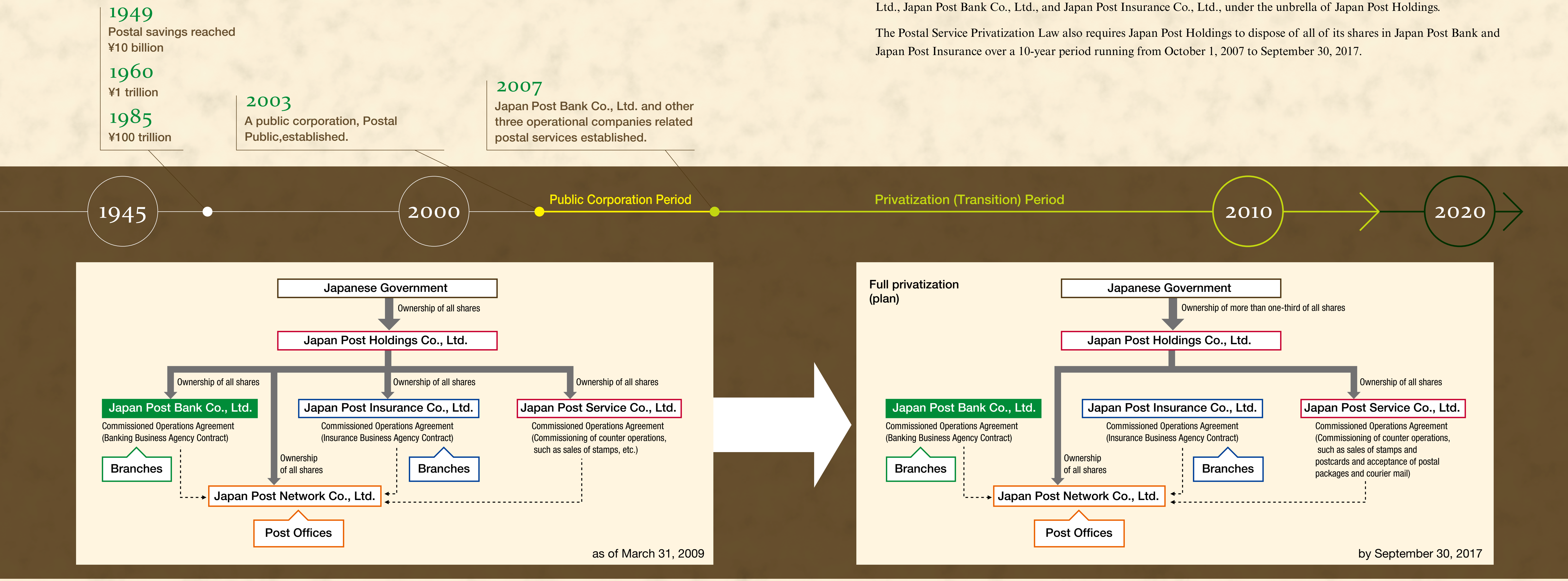
In 2001, the Japanese government reorganized its ministries and agencies to make the system more simple, transparent, and efficient. Also, the Postal Services Agency was established as an external agency to actually carry out the postal services business. On April 1, 2003, the government reorganized the Postal Services Agency into a public corporation called Postal Public.

Road to Privatization

The Koizumi Administration, after its inauguration in 2001, unveiled a new economic reform policy called "Structural Reform of the Japanese Economy: Basic Policies for Macroeconomic Management." One of the major focuses of the policy was reform of national investments and loans. Privatization of postal services was identified as one specific measure in bringing forward the reformation. The underlying concept of the privatization was "whatever that can be done by the private sector should be done by the private sector."

In January 2006, under the Postal Service Privatization Law (publicly announced in October 2005), Japan Post Holdings Co., Ltd. ("Japan Post Holdings") was separately founded to prepare and plan for the privatization of postal services. In October 2007, Postal Public transferred its businesses to four separate companies, Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., under the unbrella of Japan Post Holdings.

The Postal Service Privatization Law also requires Japan Post Holdings to dispose of all of its shares in Japan Post Bank and Japan Post Insurance over a 10-year period running from October 1, 2007 to September 30, 2017.



World

Historical Backdrop

Japan

1969
Apollo 11 mission landed on moon.

1989
Cold War ended.

1992
Introduction of the Euro decided under the Maastricht Treaty.

2009
Barack Obama, the first African-American president, inaugurated.

1946
The Constitution of Japan made public.

1989
The Emperor Showa, Hirohito, passed away. The Emperor Heisei, Akihito, ascended the imperial throne.

Dialogue

Innovation

Life is constantly changing.

We always strive to fully

understand those changes and

to be able to appropriately meet

our customers' changing needs

going forward.

Message from Management

古川洽次
Koji Furukawa
Chairman & CEO

高木祥吉
Shokichi Takagi
President & COO

Withstanding the Recent Crisis

The subprime mortgage crisis was becoming a serious problem just as Japan Post Bank entered its privatization process. The financial and economic climate suddenly changed drastically from what we had originally been expecting. We believe, however, that this financial crisis has only helped us prove the capability of our business model and highlight our commitment to safe and reliable investments.

We suffered no losses from investments in subprime-related securitized products, and the non-performing loan ratio of our relatively small corporate loan balance remained at zero. Even after the collapse of Lehman Brothers and other subsequent defaults both in Japan and globally, we had no direct exposure to losses because none of our investments were linked to any bankrupt firms. Although we were exposed to sharp declines in stock prices, causing us to report losses of ¥100.2 billion from money held in trust, stringent risk management and diligent investment processes have prevented Japan Post Bank from being seriously damaged by the market and economic downturn. Emerging from the financial crisis as one of the least affected banks has enabled us to demonstrate two qualities we highly value: "security" and "dependability." By withstanding this tough financial environment, we believe we have been able to reaffirm the soundness of the Bank's operations and strength of its business model in a socio-economic infrastructure.

Commitment to Our Historical Mission and Expanding Our Future Role

Even after a full privatization, we believe that there will be no change in our historical mission as a financial institution that provides basic financial services to nationwide customers. Through secure and reliable investments, the Bank will continue to maintain a sound financial base and high quality of earnings. Our extensive, nationwide network of approximately 24,000 post offices will ensure convenience for our customers as it has for the past 130 years.

We would like to, however, go far beyond expectations and further expand our future roles. As we move into the private sector, we will make efforts to remove restrictions on our business from our previous existence as a public institution, in which we were not able to provide full banking services to our customers. We hope to be able to offer even wider services that are better suited to our customers' needs.

We believe that this commitment to our historical mission and future growth will enhance our corporate value and further improve our presence in Japan.

Recent Developments – Implementation of Key Strategies

Efforts to increase deposits

Previously, our deposit levels had been falling by about ¥10 trillion annually. Being in the public sector, we had avoided running campaigns and putting pressure on the private sector.

But now, as we transition into the private sector, we have started to run interest and pension marketing campaigns. This has helped us to secure fixed deposits, slow down the rate of decline, and bring deposit levels back to an almost stable state. We look at this trend positively and will continue to campaign and make other efforts to attract deposits in the year ended March 31, 2009.

Since January 5, 2009, we have joined the Zengin Data Telecommunication System, Japan's major payment and inter-bank settlement system for depository institutions. The system has enabled Japan Post Bank to make fund transfers with other financial institutions that are members of the Zengin System. Many of our customers have already found it convenient to use this service, which we believe contributes to enhancing our corporate value.

Start of new businesses

We have expanded our business portfolio to include loan intermediary services, credit card issuance (JP BANK CARD), and sale of variable annuities for individuals. We intend to continue to expand our business portfolio to better cater to customer needs. We received approval to participate in syndicated loans and began providing credit to major corporations in January 2008. As a result, the outstanding balance of syndicated loans and loans purchased on secondary markets substantially increased by ¥582 billion in fiscal 2008.

Diversification of our investment strategies

We set investment strategies to achieve consistent income and to hedge interest rate and other risks. Specifically, in terms of securities investments, we reduced allocations to Japanese Government Bonds and increased investments in corporate bonds and other securities; in our loan portfolio, we reduced the amount of institutional loans (i.e., loans to local public agencies) while increasing the amount of syndicated loans. Going forward, we will continue to gradually diversify our investment strategies to establish a more stable profit structure that can consistently generate income within appropriate risk levels.

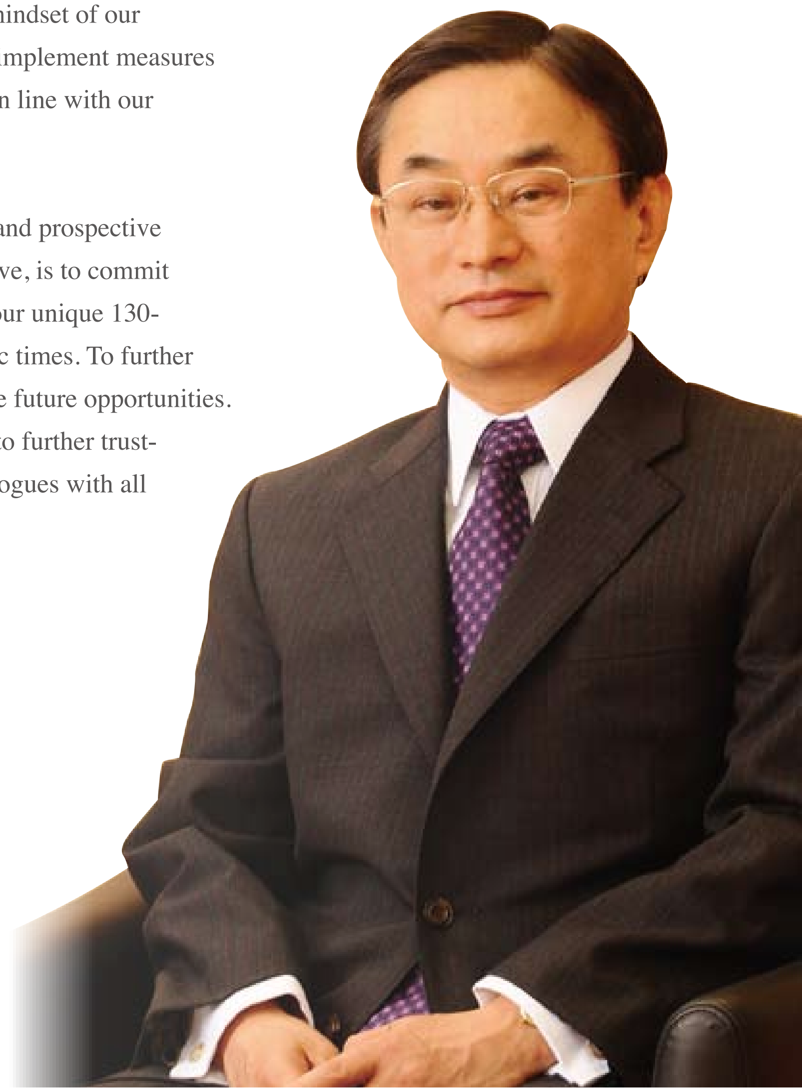
Looking Ahead

Although Japan is facing an ageing society and a maturing economy, Japan Post Bank is well-positioned for growth in that it is well-known among senior citizens and ready to seek and develop new markets. Once completely privatized and after all legacy restrictions from when the Bank was government-owned are finally lifted, the Bank will have more flexibility to look for potential new businesses and opportunities.

At the same time, we realize the importance of our historical role in the public sector. We interpret the large amount of savings deposited by our customers until now as a sign of trust. We would like to reward their trust in the Bank by exceeding their expectations while at the same time appropriately managing risks. To accurately understand their needs, we will make full efforts to engage in direct and frequent dialogues. Based on those communications, we will introduce a robust array of securely managed products and services in which our customers can have full confidence.

We also believe that it is necessary to shift the awareness and mindset of our employees as we transform into a private corporation. We will implement measures to further improve profitability and reduce costs that are more in line with our customers' perspectives.

Our responsibility and commitment extend to all other current and prospective stakeholders. The best way to meet their expectations, we believe, is to commit to our historical mission as a secure and dependable bank and our unique 130-year business model that has withstood many difficult economic times. To further improve beyond our stakeholders' expectations, we will explore future opportunities. In response to the trust that we have established until now and to further trust-based relationships, we will continue to engage in ongoing dialogues with all current and future stakeholders.



Dialogue

Efficiency

We are responsible for providing products and services to our customers in an efficient and timely manner.

Household Financial Assets

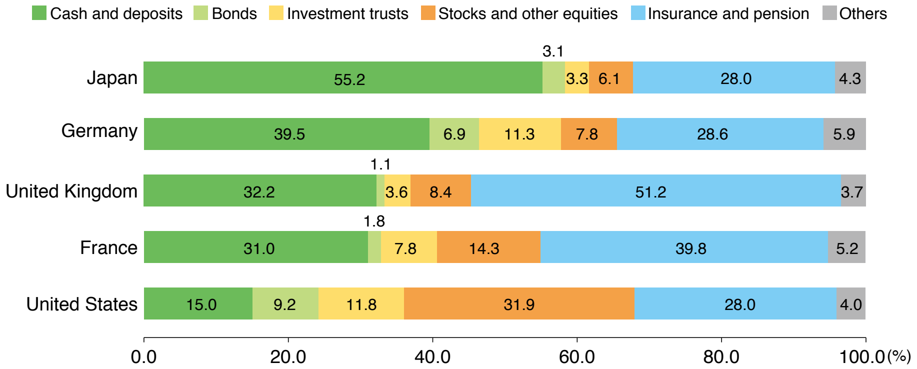
At approximately US$15.8 trillion (¥1,433.5 trillion), Japan's household financial assets are the second largest in the world after the United States (US$40.8 trillion), Germany (US$6.2 trillion or €4.4 trillion), the United Kingdom (US$5.4 trillion or £3.7 trillion), and France (US$4.8 trillion or €3.5 trillion). (as of December 31, 2008)

Cash and deposits represent approximately 55% of Japan's household financial assets, an extremely high level even by international standards. It has been said for many years that Japan is making the shift from savings to investments, but in actual fact there are no significant signs of such a shift happening.

Looking at individual deposits in Japan by type of bank, Japan Post Bank's dominant presence in the market is signified by its 25% share. This overwhelming share of individual deposits can be seen as a sign of the 130 years of history behind the postal savings system and the high degree of trust built up with depositors over the years.

Asset Allocation of Household Financial Assets by Country

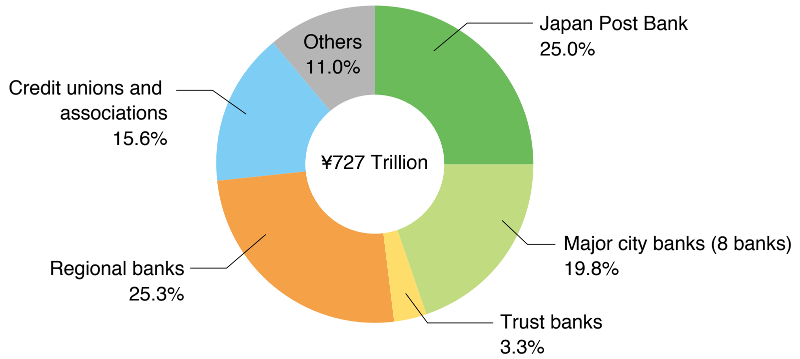
Year 2008



Source: Bank of Japan "Flow of Funds," FRB "Flow of Funds Account," ONS "United Kingdom Economic Accounts," Deutsche Bundesbank "Households' financial assets and liabilities 1991-2008," Banque de France "Financial Accounts"

Japanese Household Deposits Held by Financial Institutions

At March 31, 2008



Note: Figures are based on publicly released data and hearing results.

Source: Bank of Japan "Flow of Funds," The Japan Financial News "Annual Report 2009"

Japan Post Bank's National Network

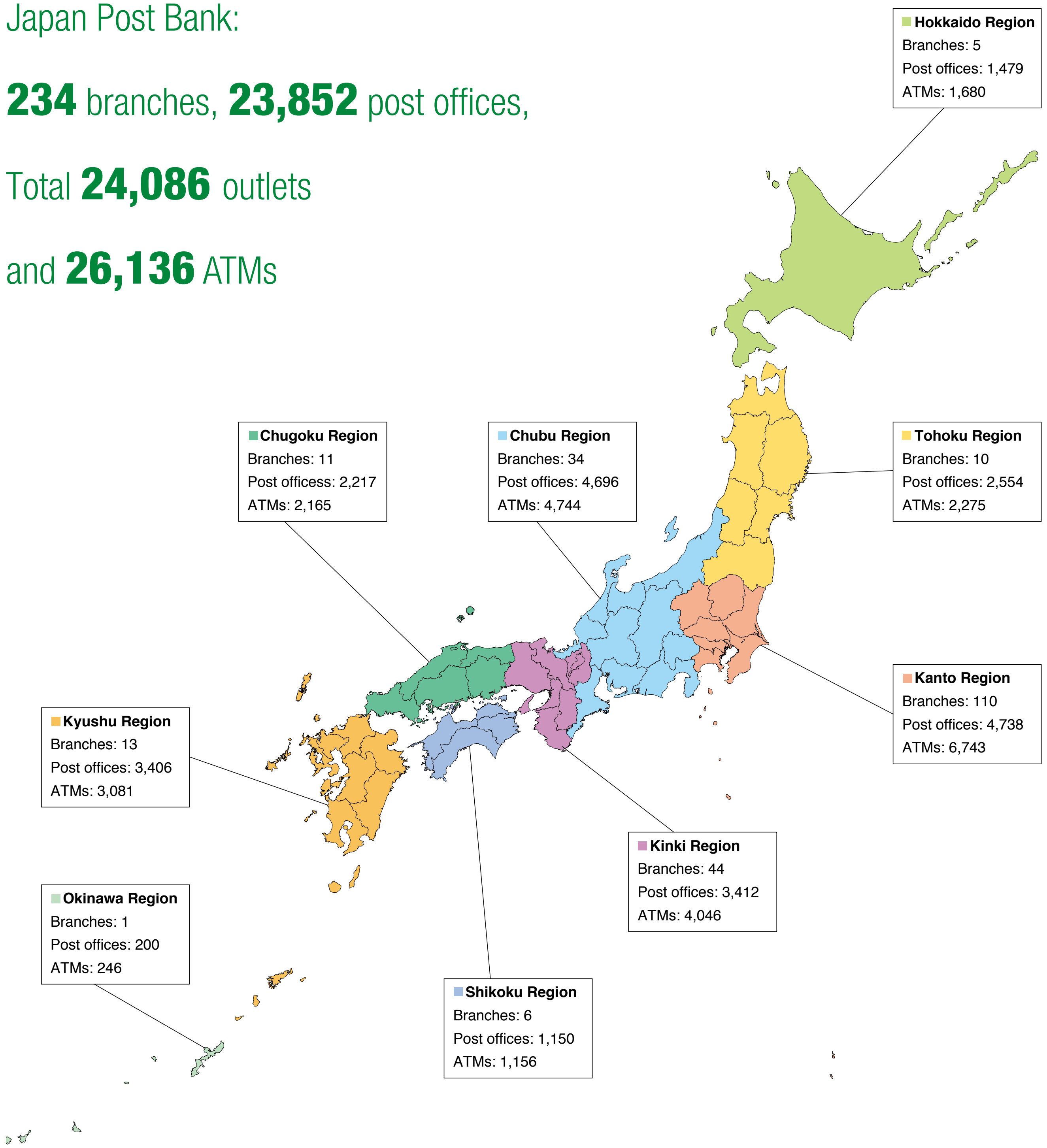
At March 31, 2009

Japan Post Bank:

234 branches, **23,852** post offices,

Total **24,086** outlets

and **26,136** ATMs



Note: The number of post offices above refers to those having a banking agency function.

Source: Japanese Bankers Association "Nationwide bank data"

Reference

At September 30, 2008

Other Banks	Branches	Sales Agency Offices	Total
Major city banks (8 banks)	2,539	963	3,502
Regional banks (109 banks)	10,703	593	11,296
Trust banks (7 banks)	292	194	486
Credit unions (279 banks)	7,679	—	7,679
Credit associations (164 banks)	1,812	—	1,812
Total	23,025	1,750	24,775

Our Nationwide Network
—Japan Post Bank's Branches and Post Offices

BRANCH NETWORK Extending Throughout Japan
Japan Post Bank has a total of 24,086 outlets, comprising 234 branches and 23,852 post offices spread throughout Japan. At the end of March 2009, the banking network was also providing customers with services through 26,136 ATMs. The post offices are operated by Japan Post Network Co., Ltd., a member of the Japan Post Group. Located throughout the length and breadth of Japan and closely connected to people's daily lives, we commission these post offices to handle bank agency operations.

ADMINISTRATION SERVICE CENTERS Reducing the Burden of Back Office Operations at Outlets
Our administration service centers provide data processing services for the administrative functions of our outlets. The centers check and organize the many documents used by our branches and post offices, issue and renew bank passbooks and ATM cards, input direct deposits of employee wages and automatic transfer data, and compile settlement and statistical data. Playing an important role in reducing the burden of back office operations of all our outlets, we currently have 11 administration service centers.

OPERATION SUPPORT CENTERS Contributing to Quality Control and Improvement of Agencies' Operations
We have 49 operation support centers set up throughout Japan. Their primary responsibility is to provide support in maintaining and improving the quality of each agencies' operations. In addition to responding to inquiries about administrative processing methods from agencies the centers keep track of agencies' administrative processing and provide guidance. We have made 13 of our operation support centers regional representatives responsible for managing the centers in their areas.

COMPUTER CENTERS Managing Transaction Processing
We have two computer centers that provide online services in real time such as storage of transaction data and interest calculations. As part of our business contingency plan, we have a backup center in a different location to prevent interruption of service during a major earthquake or similar events.

Our Nationwide Network
—ATMs and Internet Banking

Japan Post Bank has the nation's largest ATM network with 26,136 machines spread throughout the country. Our goal is to make ATMs easy for anybody to use, and we have already received positive feedback from our customers.

Aiming for the Most User-Friendly ATMs
Our ATMs are designed to be at a comfortable height with ramps for our customers in wheelchairs and have Braille operating instructions, keyboards, and ATM cards for our visually impaired customers. Also, through interphones attached to the ATMs or earphones, customers are able to receive instructions and information on operations, remittance amounts, or account balances.

Providing Convenience for Foreign Visitors
We accept foreign credit and ATM cards for visitors to be able to conveniently take out local currency. Moreover, operating instructions are available in English, making it easy for foreign visitors to use the machines.

Accepted cards
VISA, VISAELECTRON, PLUS, MasterCard, Maestro, Cirrus, American Express, Diners Club, JCB, China Unionpay

Highly Convenient ATMs
We provide document readable ATMs, which enable our customers to make payments using handwritten information to remittees, which is an unique service in Japan. Nationwide access also makes ATMs a highly convenient service.

INTERNET BANKING Boosting Customer Convenience
Based on its lack of time and space restrictions, we consider Internet banking to have the potential to supplement or replace our branches, agency offices, and ATMs in the future. We intend to progressively enhance the functions and convenience of these Internet services, which many of our customers already enjoy using.

Developing Our Retail Business Model

By taking advantage of the nationwide network of post offices, Japan Post Bank aims to offer comprehensive financial services to a wide range of individuals, thereby achieving a retail business model that makes us "the most convenient and dependable bank in Japan." Our business model is structured to achieve stable growth through our main interest income business and our recently launched non-interest income business. Our interest income business is founded on the secure and careful investment of customer deposits and our non-interest income business provides an enhanced range of financial products and services to meet the diverse needs of our customers.

Interest Income Business

Heavily Weighed in Our Business Portfolio

Interest income accounts for 95% of the Bank's earnings as of March 31, 2009 and is an overwhelming part of our business portfolio. Most of our interest income comes from investments in Japanese Government Bonds.

In order to ensure sound business management and stable, periodic income, we understand that an investment model that controls interest rate risks and diversifies business risks and revenue sources is important. To achieve this, we believe we need to diversify investments, further improve risk management, and introduce a more-advanced asset liability management (ALM) system. We are taking measures such as forming partnerships with asset management companies, recruiting and training skilled employees, and maintaining an advanced IT infrastructure.

Investment Diversification and Further Improvement of Risk Management

As its operating policy, the Bank carefully controls risk while achieving earnings. More specifically, under reasonable interest rate scenarios with existing liabilities considered, we appropriately manage the duration of invested assets and hedge interest rates through swaps and other financial instruments in order to ensure a stable interest rate spread between assets and liabilities. Also, in addition to investing in Japanese local government bonds, corporate bonds, yen-denominated foreign bonds (samurai bonds), and syndicated loans, we are starting to invest in investment trusts in order to diversify risks and revenue sources.

To better address risks, particularly market risks, we are also improving ways to measure and manage risk.

More Advanced ALM System

As of March 31, 2009, 88% of the Bank's assets are composed of securities. Japanese Government Bonds, corporate bonds, and Japanese local government bonds account for 90%, 6%, and 4% of securities, respectively. While managing our asset composition, we are seeking to further diversify risk and revenue sources while applying different investment methods and carefully controlling exposure to interest rate risk. At the same time, our ALM system manages the overall asset and liability portfolios, ensuring stable periodical income and comprehensively managing market fluctuation risk, in order to improve equity value and gain market and customer confidence.

Non-Interest Income Business

Approximately half of the Bank's non-interest income is generated by commissions on fund transfers and the rest mostly comes from ATM transaction fees from the use of our machines by non-customers. Other non-interest income businesses include sales of Japanese Government Bonds, investment trusts, and variable annuities and intermediary services of mortgage loans. Many of these businesses are new and have only been approved since the start of the Bank's privatization process.

We have strived to recommend portfolios that cater to our customer needs and are appropriately suited to our customers' risk tolerance, emphasizing our fundamental investment styles focused on "longevity," "diversification," and "accumulation." Although Japan has experienced a major drain of capital from cancellations and redemptions in the open-ended equity investments market excluding Exchange-Traded Funds (ETFs) since the "Lehman Shock" of September 2008, Japan Post Bank has consistently maintained cash inflows since the Bank first started its investment trust sales business in October 2005 until the end of March 2009.

Going forward, we will strive to expand and enhance our non-interest income products and services in response to our customers' needs.

New Businesses
—Approved During Privatization Process

New businesses approved or started after Japan Post Bank entered the privatization process in October 2007 are as follows:

New Investment Methods Approved in December 2007

• Syndicated loans (participation type) and loans to special purpose companies (SPCs)
 ▷ Initiated syndicated loans (participation type) in January 2008

• Dealing of public bonds

• Buying and selling of trust beneficiary certificates, equities, and other instruments
 ▷ Began purchasing trust beneficiary certificates of asset backed securities in March 2008
 ▷ Started acquiring investment trusts (yen-denominated) in September 2008
 ▷ Commenced purchasing non-listed foreign bonds in February 2009

• Buying and transferring of credit assets
 ▷ Initiated purchasing of credit assets in February 2008

• Trading of interest rate swaps and interest rate futures transactions
 ▷ Began interest rate swaps transactions in February 2008

• Trading of reverse repos
 ▷ Commenced reverse repo transactions in June 2008

New Retail Products and Services Approved in April 2008

• Credit cards
 ▷ Launched in May 2008

• Agency business of sales of life insurance products such as variable annuities for individuals
 ▷ Launched in May 2008

• Intermediary services of mortgage loans, specific-purpose loans, and card loans
 ▷ Launched in May 2008

Improvement of Business Model

Efforts to Improve Customer Satisfaction Levels

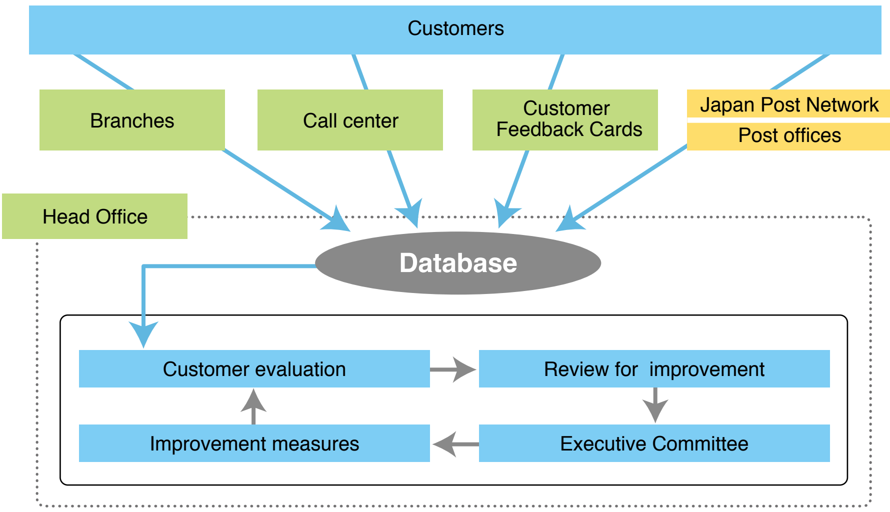
Japan Post Bank has transformed its operational business model in order to effectively respond to customer needs and to ensure this model is appropriately suited to the ever-changing business environment.

The Bank is guided by the management philosophy of becoming "the most convenient and dependable bank in Japan," listening to customer feedback while striving on a daily basis to raise the level of customer satisfaction.

Applying Customer Feedback to the Business Model

Japan Post Bank has a system that manages overall customer feedback, shares this information within the company, and analyzes such customer input to improve the business model accordingly.

Approach to Raising Customer Satisfaction Levels



Corporate Social Responsibility

Japan Post Bank seeks to become "the most convenient and dependable bank in Japan" and is committed to offering universal services to everyone, contributing to society and regional communities, and protecting the environment.

Offering Accessible Services to Everyone

At Japan Post Bank, we have enhanced our facilities to better accommodate our senior and physically challenged customers. For customers who are unable to physically visit the branches or post offices, we have made it possible so that pensions and other payments can be directly submitted to their homes.

For persons with disabilities, we have savings accounts with preferential interest rates as well as other benefits. All of our ATMs have built-in voice speakers and Braille keyboards so as to make them user friendly for the blind. We also have Braille versions of our ATM cash cards, savings books, and other statements.

Contributing to Society and Regional Communities

As a part of our social contribution activities, we allow money transfers of natural disaster donations free of charge. In fiscal 2008, 71,640 donations totaling ¥1,041 million were made through this service.

Utilizing 20% of our customers' interest (after-tax) from savings, the "Japan Post Bank Deposits for International Aid" has been set up to support non-governmental organizations (NGOs) and other charitable organizations in reducing poverty and improving quality of life in developing countries.

We regularly hold a "piggy bank contest," where children create their own piggy banks, and encourage children to gain an interest in saving money. Started in 1975 to celebrate the 100th anniversary of Japan's postal savings services, the contest was held for the 33rd time in 2008, receiving 802,194 entries from 12, 948 elementary schools throughout Japan. In the previous contest, we donated ¥30 for each contest entry submitted, or a total of ¥24,065,820, to the Japan Committee for UNICEF in the hopes that this donation would give Japanese children the opportunity to become more aware of the living conditions of children of their own age in developing countries and to think about international charitable activities.


Piggy bank contest prize-winning works

In addition, as a community-based bank, we actively participate in local cleanups and other community events.

Protecting the Environment

Japan Post Group has formulated an "Environmental Vision" that identifies global warming and sustainable forests as two key environmental issues to be addressed as a Group. We have implemented a variety of energy conservation measures, participated in "Team Minus 6%" (a national project to achieve a 6% reduction in greenhouse gas emissions), participated in tree-planting activities, and actively promoted other initiatives that contribute to the reduction of greenhouse gas emissions, such as by using electric vehicles.


Tree-planting activity

Dialogue

Expertise

We value your expertise –

and provide you with ours.

Together we can make the

world a better place.

Corporate Governance

Japan Post Bank adopts the "company with committees system" for faster decision-making and improvement of management transparency. Three statutory committees have been established, namely, the Nomination Committee, the Audit Committee, and the Compensation Committee, so that the committees and the Board of Directors together provide reliable oversight of the management of the Bank.

Board of Directors and Three Statutory Committees

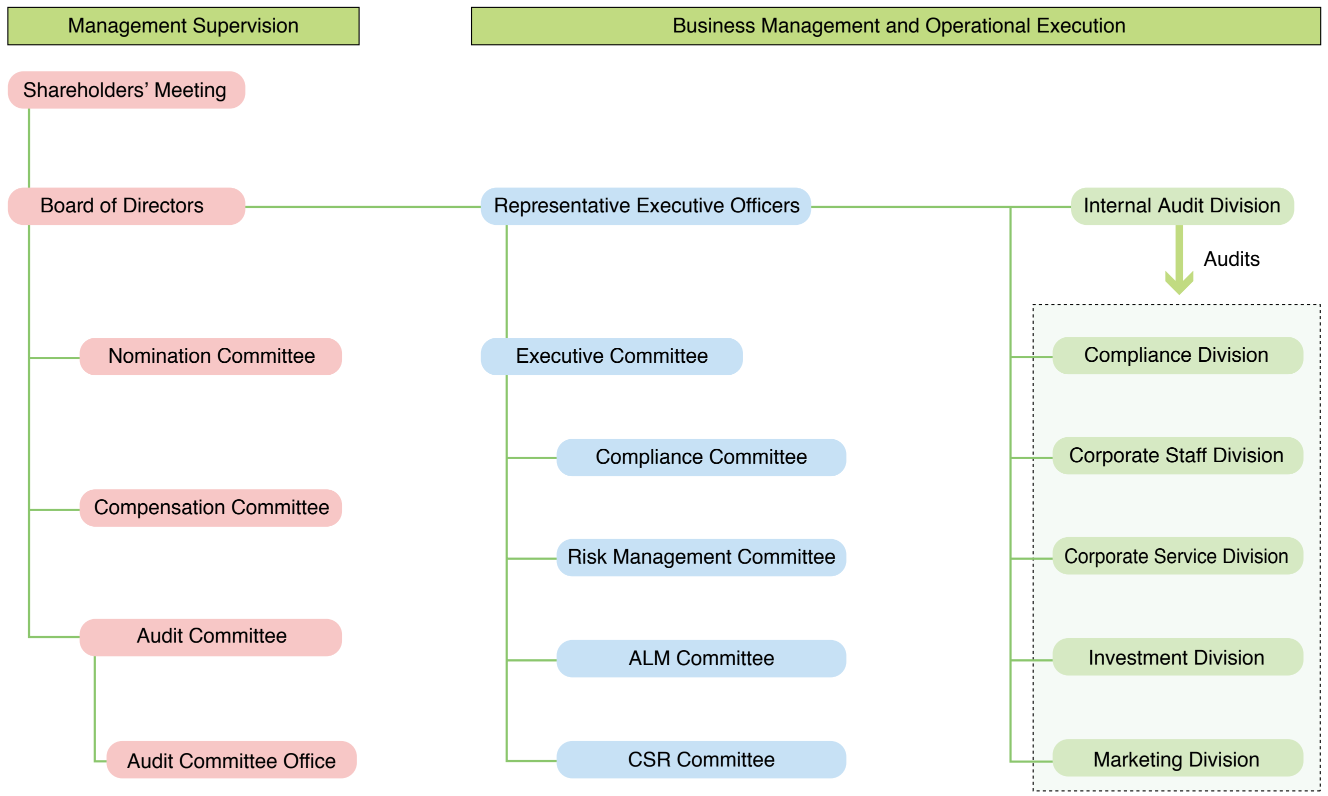
Japan Post Bank's Board of Directors, which monitors and makes the final operational decisions, is comprised of six directors. Two of the directors also serve as executive officers and the other four directors are external directors. A majority of directors sitting on the three statutory committees set up under the Board are external directors, and these three statutory committees oversee the Bank's operations together with the Board.

Representative Executive Officers, the Executive Committee, and Four Special Committees

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

Representative Executive Officers, namely, the CEO and the COO, conduct business operations by making full use of their authority and responsibility delegated by the Board of Directors. Discussions on important business execution matters are held by the Executive Committee, acting as an advisory body to the Representative Executive Officers. To assist the Executive Committee regarding subjects requiring specialized discussions, there are the Compliance Committee, the Risk Management Committee, the Asset Liability Management (ALM) Committee, and the Corporate Social Responsibility (CSR) Committee.

Corporate Governance Structure



Risk Management

Basic Policy Towards Risk Management

As risk management in financial institutions becomes increasingly important, Japan Post Bank positions risk control as a top management priority. In order to better monitor and control various risks, the Bank is taking steps to continually improve its risk management systems.

Our fundamental risk management policy is to utilize capital productively by managing risk appropriately based on our management strategies and the characteristics of individual risk categories. Our policy objective is to enhance corporate value while preserving the Bank's financial soundness and the appropriateness of business activities. We divide our risks into the five categories of market risk, market liquidity risk, funding liquidity risk, credit risk, and operational risk, thereby better facilitating risk management, allowing us to analyze risks in a quantitative manner, and to assess those risks in qualitative manner in line with each category's respective characteristics.

We also have established a framework of effective "checks and balances" functions for our risk management organization. This system is designed to prevent conflicts of interest within the organization while giving adequate authority and responsibility to executives and employees.

Risk Management Methods

We employ an integrated risk management method to monitor and control risks in a quantitative manner. Our system measures and aggregates different risks associated with our business activities and ensures that the aggregate total of those risks does not exceed the maximum of management's prescribed limits on the Bank's capacity to handle risks. At the Bank, this process involves determining a limit for the total risk amount in light of the Bank's equity capital, and sub-dividing that amount into smaller units of risk capital allocated in accordance with each of the five prescribed risk categories and the characteristics of business operations. The allocation of risk capital is determined by the Representative Executive Officers, namely, the CEO and the COO, following discussions among the ALM Committee and the Executive Committee. The actual calculation of market and credit risk is performed using a value at risk (VaR) model, which provides a uniform measuring system that ensures objectivity and consistency across different risks. VaR is a statistical method that estimates the possible maximum loss amount that assets or liabilities may incur over a given period of time.

We also review and analyze risks in a qualitative manner to reflect management's views and market conditions in quantitative risk management measures.

Risk Management Organization

Our risk management departments and offices, which are independent of our front office departments, carry out daily risk monitoring and management and regularly report on the status of risk management to the Board of Directors, the Executive Committee, and its advisory committees (the ALM Committee and the Risk Management Committee). These advisory committees discuss risk management policies and systems. Whenever a new product or business process is introduced, the Bank conducts a risk investigation in advance to establish a suitable risk management system.

Stress Testing

Because VaR calculations are based on historical data, the model does not properly reflect risk under conditions of extreme market volatility or when the underlying assumptions are no longer valid. For this reason, we periodically conduct stress testing to determine the magnitude of losses that could result from market volatility exceeding the range of assumptions used by our VaR model. These stress-testing results are reported to the ALM Committee and other risk management-related organizations. We run multiple scenarios for each risk category in our stress testing, including the largest fluctuations in financial markets or the highest loan default rates experienced over the past decade.

Back Testing

In recognition of the limitations of our risk measurement model, we regularly conduct back testing against historical data to confirm the continued validity of the risk model. The results of these tests are periodically reported to the Executive Committee, ALM Committee, and Risk Management Committee.

Basel II

The Basel Committee on Banking Supervision of the Bank for International Settlements originally established its international standard for capital adequacy regulations to ensure the overall soundness of banks. This standard was later revised to make capital requirements more sensitive to the actual risks that banks face, resulting in a new capital adequacy framework called Basel II. Japanese banks adopted this revised capital adequacy framework at the end of March 2007.

The Basel II Accord is built on three pillars: minimum capital adequacy ratio requirements, internal and regulatory agency reviews, and additional information disclosure rules. Japan Post Bank complies with all provisions of Basel II.

Of the various methods permitted under Basel II for the calculation of the capital adequacy ratio, Japan Post Bank uses the standardized approach to determine credit risk-weighted assets and provides a measurement of operational risk using the basic indicator approach. In calculating the capital adequacy ratio, the Bank excludes a figure for market risk based on a special exemption.

Risk Management Systems

Market Risk

Japan Post Bank manages market risk using a system that reflects the characteristics of our business activities and risk profile. The major features of our operations are that market investments (Japanese Government Bonds) comprise the principal component of our assets while TEIGAKU deposits (our main product: longest deposit maturity is 10 years and can be withdrawn after 6 months) account for the large part of our liabilities.

Our market risk management system begins by estimating market risk using a VaR statistical approach. We then assess that risk estimate with the boundaries set by the total risk capital allocated to market risk as determined by our equity capital and other indicators of our financial resources. We do so by establishing, monitoring, and managing ceilings on market risk, losses, and other items.

We also have a process for appropriately monitoring interest rate risks from many perspectives, including those beyond statistical estimates. Our methods include running earnings simulations for a variety of scenarios and stress testing to prepare for sudden market movements that exceed the assumptions of our statistical model.

Market Liquidity Risk

Japan Post Bank monitors the quality of portfolio assets and market conditions and takes appropriate actions to ensure adequate market liquidity management.

Funding Liquidity Risk

Our principle for funding liquidity risk management consists of a two-pronged approach to ensure the Bank's funding needs are met. First, we constantly monitor the funding environment, responding to changes as required in a timely and appropriate manner.
At the same time, we maintain an appropriate level of liquid assets at all times as a reserve for unexpected cash outflows and other events.

To secure stable cash flows, we also monitor and analyze our cash flows using cash management indicators and other measurements. Furthermore, we have established the three operating phases of "normal," "concerned," and "emergency" in accordance with the status of cash flows and trends in fund procurement, and have further laid out the major procedures to follow during "concerned" and "emergency" phases.

Credit Risk

Japan Post Bank uses the VaR method to estimate credit risk. We establish, monitor, and manage credit risk, credit extension, and other limits to maintain credit risk within its assigned risk capital determined in accordance with our equity capital and other indicators of our financial resources. Moreover, we perform stress testing to be prepared for any deterioration in the creditworthiness of borrowers that may result from a major change in economic conditions that exceeds our statistical assumptions.

To avoid excessive concentrations of credit risk within our loan portfolio, we establish credit limits for individual companies and corporate groups and review them during every fiscal period. We will continue to further upgrade the risk management methods for our loan portfolio.

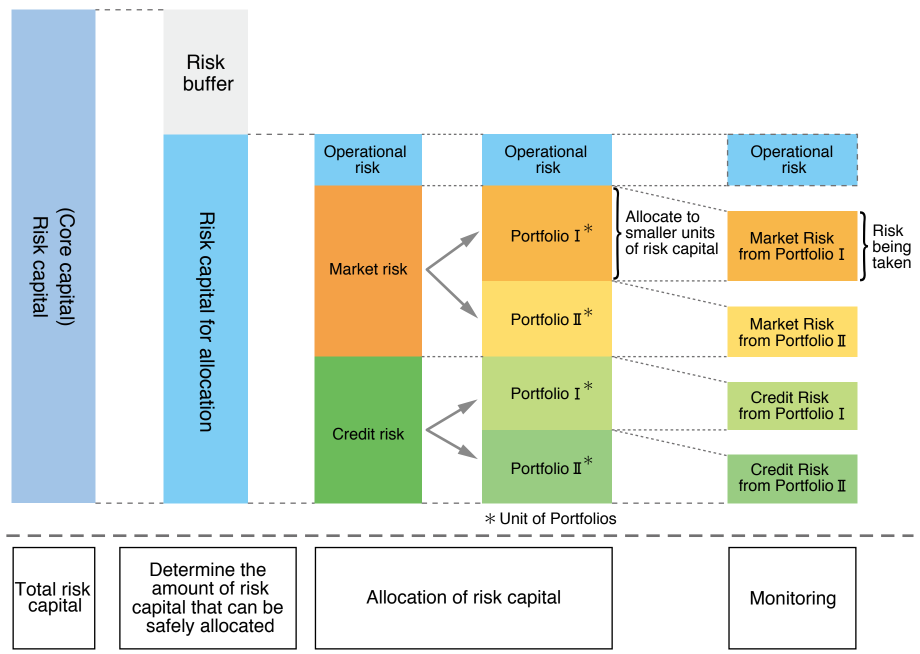
Operational Risk

Japan Post Bank subdivides operational risk into seven categories: processing risk, information systems risk, information property risk, legal risk, human resources risk, tangible assets risk, and reputational risk. Our approach to managing these operational risks and maintaining sound operations is to identify, evaluate, control, monitor, and mitigate risks in each category. The risk management process encompasses identifying risks associated with business operations and assessing them based on the frequency of occurrence and the severity of their impact on operations. We establish controls suitable to our assessments, monitor risks, and take actions as required.

We regularly implement Risk & Control Self-Assessment (RCSA) reviews to evaluate the effectiveness of our management systems for reducing exposure to identified operational risks. RCSA points out areas that require improvement and aspects of our risk management activities that need to be reinforced. Based on the results, we form improvement plans, examine measures to further reduce risk exposure, and take required actions.

Japan Post Bank has a reporting framework that utilizes computer systems to flag occurrences of operational mistakes and any 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 for formulating and executing effective countermeasures.

Process of Risk Management and Risk Capital Allocation



Internal Auditing

Basic Policy

The main purpose of internal auditing is to ensure that the Bank is able to conduct its operations in a sound and appropriate manner by having its daily business operations and internal management undergo thorough inspections and assessments of the independently managed Internal Audit Division.

Methods of Internal Auditing

In principle, all operations and employees are subject to inspection, and operating activities and internal management including compliance and risk control are assessed in terms of their appropriateness and effectiveness. Auditors are authorized to ask all Directors, Executive Officers, and employees to submit documentation of facts and explanations, observe operations, and examine the contents of money safes and filing cabinets. Furthermore, auditors have the right to attend and voice their opinions at all business meetings and other important proceedings.

Internal Audit Reporting

The results of internal audits are compiled into a report focusing on any problems discovered and related recommendations. The report is submitted to the Representative Executive Officers, namely, the CEO and the COO, and to the Audit Committee. As an early warning system, the Internal Audit Division immediately reports any items that are deemed to have a potential serious impact on business to the Representative Executive Officers and the Audit Committee.

Follow-Up Inspection

In cases where there were major issues in the internal management system, the Internal Audit Division performs follow-up inspections in order to confirm plans and monitor progress of improvements.

The Internal Audit Division carries out similar follow-up inspections of issues that have been flagged by external audits, the Financial Services Agency (FSA), and/or other related government authorities.

In addition to its regular inspections, the Internal Audit Division periodically compiles inspection results of measures that require improvement and reports to the Representative Executive Officers and the Audit Committee.

Compliance

Basic Policy

We regard compliance as the adherence to laws and regulations as well as internal rules, social standards of behavior, and corporate ethics by all executives and employees. In order to become the most dependable bank in Japan, we view compliance as one of the most important management missions, and therefore conduct rigorous compliance activities.

Specific Measures

For our annual compliance program, we produce compliance manuals that give operational guidance in promoting compliance. We also set up training programs for our employees and appoint a Compliance Manager in each department or branch, who is responsible for mentoring employees and promoting compliance.

In addition, we have established a “whistle-blower system for compliance,” so that when situations of (potential) non-compliance arise, these can be reported directly to management, thereby promoting awareness and preventing any escalation of potential problems at an early stage.

Regular Reviews

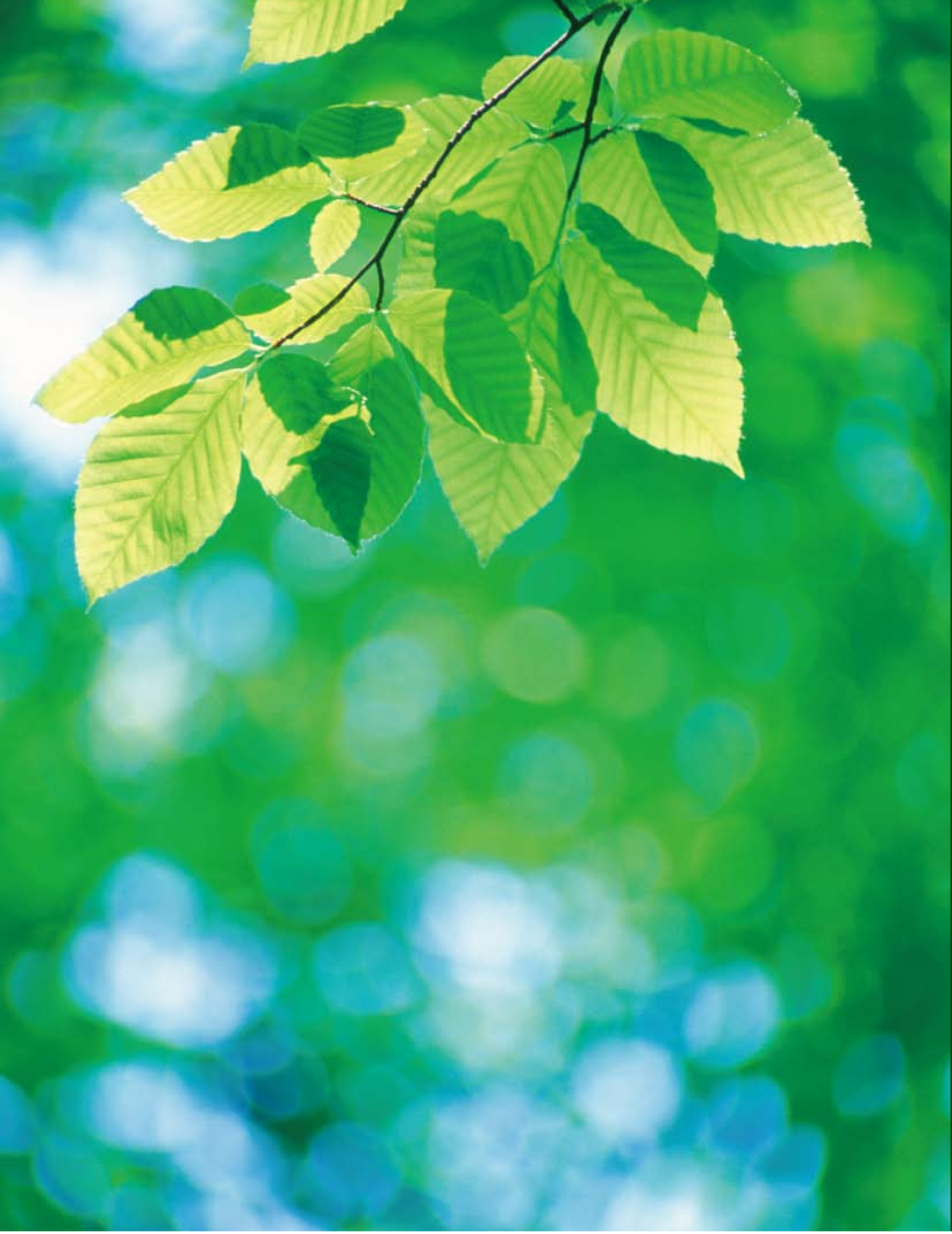
Compliance Officers, who are independent of business operations, are assigned to certain departments and branches for the purpose of monitoring the status of compliance activities. Compliance Officers should be fully aware of whether compliance is being appropriately promoted in each of the Bank’s departments or branches, examine the programs in detail, and assess the quality of the programs. Furthermore, Compliance Officers must regularly review compliance guidelines in light of changes in or to business activities, business methods, and the regulatory and corporate environment.

We keep track of our overall compliance status through various monitoring systems. Based on examination and assessment of the feedback from these systems, we strive to further improve our compliance system.

Responses to Compliance Violations

In the event of a compliance violation, a thorough investigation will be conducted in order to determine the cause of the violation and to prevent it from happening again. The results of the investigation will be reported to the department or branch under investigation, and the depertment or branch will be instructed to come up with concrete measures for improvement.

Depending on the circumstances, the Compliance Officer will ask for the submission of progress reports in order to remain apprised of the status..



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All numbers in this Annual Report are rounded down except where noted.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following section of Japan Post Bank's (the "Bank," "we," "us," "our," and similar terms) Annual Report for the year ended March 31, 2009 ("Annual Report") provides management's discussion and analysis of the financial condition and results of operations ("MD&A") of Japan Post Bank. This MD&A highlights selected information and may not contain all of the information that is important to readers of this Annual Report. For a more complete description of events, trends, and uncertainties, as well as the capital, liquidity, and credit and market risks affecting the Bank and its operations, readers should refer to other sections in this Annual Report. This section should be read in conjunction with the non-consolidated financial statements and notes included elsewhere in this Annual Report.

Business Overview

The Bank began operating on October 1, 2007, but its operations trace back to 1875 when Japanese postal savings services commenced. The Bank was established to succeed the operations of Japanese postal savings services as part of the privatization and spin-off plan for Japan Post's four businesses – postal savings services, insurance services, postal services, and over-the-counter services – under the Postal Service Privatization Law.

Through a retail network of 233 directly operated branches and nearly 24,000 post offices extending throughout Japan, the Bank provides individual customers with savings account, settlement, and other basic banking products and services and boasts a deposit base of approximately ¥180 trillion as of March 31, 2009. In addition, the Bank has an ATM network of approximately 26,000 machines. Supported by its extensive network of branches and ATMs, the Bank offers its customers a level of convenience unparalleled by any other financial institution in Japan.

The Bank has developed a proprietary business model. Utilizing a sophisticated risk management framework, it generates stable flows of income by investing customer deposits, gathered through its nationwide channels, in secure and quality financial instruments – primarily Japanese Government Bonds.

The Bank enjoys a remarkably sound financial condition. As of March 31, 2009, retail deposits accounted for approximately 90% of total liabilities, while Japanese Government Bonds accounted for about 80% of total assets. As of the same date, the Bank's BIS capital adequacy ratio was approximately 90%, underpinned by its proprietary business model.

Business Initiatives

The fiscal year ended at March 31, 2009 ("fiscal 2009") was our first full fiscal year since we began operations. During fiscal 2009, we implemented several initiatives aimed at becoming "the most convenient and dependable bank in Japan."

As part of our promotional efforts, we launched aggressive marketing campaigns such as offering premium interest rates on deposits. While deposit balances declined by approximately ¥4 trillion during fiscal 2009, the pace of decline appears to have slowed, with a drop of approximately ¥3 trillion in the first half of fiscal 2009 followed by a ¥1 trillion decline in the second half. Our time deposit balances remained broadly stable during the same period. Although declining deposit balances were also experienced prior to our incorporation, we consider the rate of decline to have leveled off.

We launched a number of new businesses in fiscal 2009 after receiving government approval. The new businesses included the credit card business, the life insurance sales agency services for individual variable annuity products, and the mortgage intermediary operations. Given the recent slowdown in the market environment, the performance of these new businesses is still developing. We continue to seek to expand our product line-up and lay a solid foundation on which to create future earning opportunities by taking advantage of our nationwide network.

In January 2009, we became a member of the Zengin Data Telecommunication System (the "Zengin System"), an on-line network system linking private depository institutions on a nationwide basis. The connection to the Zengin System allows our depositors to transfer funds to and receive funds from approximately 1,400 other financial institutions affiliated with the Zengin System. We believe our participation in the Zengin System has significantly enhanced customer convenience.

To improve efficiency of investment operations, we are aiming to diversify our risks and income sources by expanding our range of products in our investment portfolio while closely monitoring and carefully managing interest rate risk. Although a large majority of our investment portfolio continues to consist of Japanese Government Bonds, we have also invested in Japanese corporate bonds, yen-denominated domestic bonds of foreign issuers (Samurai bonds), syndicated loans, and other interest-bearing instruments. In addition, we have begun investing in investment trusts and other securities. As a result, the proportion of Japanese corporate bonds and other securities (i.e., Samurai bonds and others) in our portfolio has increased. Despite our diversified investment methods, we have maintained the high quality of our assets and liabilities and have continued to build a financial strength that generates stable earnings even amid the ongoing financial crisis.

Since the establishment of Japan Post Bank, our management has placed its highest priority on ensuring a comprehensive internal system of controls, with particular emphasis on thoroughly meeting compliance and implementing customer protection measures.

Business Environment

In the first half of fiscal 2009, economic growth in Japan slowed further compared to the prior year amid inflation concerns triggered by rapidly rising commodity prices. In the second half, the financial crisis in the United States and Europe, stemming from the subprime loan problem, further deepened following the bankruptcy of Lehman Brothers in September 2008. While the United States government initiated measures to stabilize financial markets, including passage of the Emergency Economic Stabilization Act in October 2008, the impact of the financial crisis began to adversely affect the real economy of the United States and Europe. Consumer spending, capital investment, housing starts, and other major components of domestic demand in the United States dropped sharply. Combined with the deepened economic recession in Europe and Asia, these decreases in demand have led to what might be viewed as a truly global economic recession. Japan was also hit by this sudden deterioration in the global economy, and a sharp drop in external demand led to a broad decline in domestic production. In the October-December 2008 quarter, the Japanese economy contracted by double-digits, surpassing the economic declines in the United States and Europe.

Financial and capital markets saw a downward trend in long-term interest rates, reflecting the economic recession. The 10-year Japanese Government Bond yields, which once hit as high as around 1.85-1.89% in mid-June 2008, declined to a box-range of 1.20-1.39%, as Japan, the United States, and European countries successively eased their monetary policy in reaction to the drastic deterioration of the economic situation. Amid these events, stock markets of major industrial countries began to decline from October 2008 and onward and the Nikkei Stock Average plunged to ¥6,995 on October 28, setting a record low for the first time since October 1982. The index regained its ¥8,000 mark, reflecting a rise in U.S. stock prices and anticipation of an economic recovery supported by government stimulus packages by the end of March 2009. In December 2008, the Japanese yen appreciated to ¥87 per U.S. dollar and ¥114 per euro, as a result of the easing monetary policy by central banks in major countries followed by the unwinding of yen carry trade positions and a more risk averse attitude of investors. Towards the end of fiscal 2009, the yen began to weaken and traded at around ¥95-99 per U.S. dollar, reflecting a rise in U.S. stock prices.

Results of Operations

This section compares our results of operations for fiscal 2009 against our results of operations for fiscal 2008. Fiscal 2008 began on October 1, 2007. Thus, our financial performance for fiscal 2008 essentially reflects the six-month results for what in ordinary circumstances would represent the second half of fiscal 2008, although additional gains and losses, including a net loss of ¥731 million, preparatory to the commencement of our operations have been recorded in fiscal 2008.

For the convenience of readers, we present data for fiscal 2008 on both an actual and pro forma annualized basis. Unless otherwise indicated, the data for fiscal 2008 is presented on a pro forma basis. Pro forma annualized data for fiscal 2008 has been prepared by simply doubling the actual results for fiscal 2008 that reflected only six-month results. We believe the pro forma annualized figures for fiscal 2008 provide a useful comparison for purposes of this section.

Financial Performance of Japan Post Bank

	Millions of yen		
	Fiscal 2009	Fiscal 2008	Fiscal 2008 (pro forma)
Gross operating profit:	**¥1,746,765**	¥920,548	¥1,841,097
Interest income	**1,655,330**	871,211	1,742,423
Fees and commissions	**91,096**	49,852	99,705
Other operating income (loss)	**338**	(515)	(1,031)
General and administrative expenses (excluding non-recurring losses):	**1,266,162**	617,738	1,235,476
Personnel expenses	**109,562**	53,567	107,134
Non-personnel expenses	**1,082,643**	519,392	1,038,784
Taxes	**73,956**	44,778	89,557
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	**480,602**	302,859	605,719
Net operating profit	**480,602**	301,945	603,890
Non-recurring gain (loss)	**(95,358)**	(45,773)	(91,546)
Net ordinary income	**385,243**	256,171	512,343
Extraordinary income (loss)	**(1,030)**	(331)	(663)
Income before income taxes	**384,213**	255,840	511,680
Net income	**229,363**	152,180	304,361

Net Operating Profit

In fiscal 2009, gross operating profit was ¥1,746.7 billion, a decrease of 5.12% from the pro forma number of ¥1,841.0 billion (¥920.5 billion x 2) in fiscal 2008. The decrease was attributable to the repayment of deposits entrusted to the former Ministry of Finance, Trust Fund Bureau (currently, the Fiscal Loan Fund Special Account) which contributed to earnings in the previous fiscal year. Meanwhile, the yield spread, which is the difference between the rate of interest earned on average interest-earning assets, primarily securities, and the rate of interest paid on average interest-bearing liabilities, primarily deposits, improved in fiscal 2009 compared with the prior fiscal year.

Net operating profit was ¥480.6 billion, a decrease of 20.41% from the pro forma number of ¥603.8 billion (¥301.9 billion x 2) in fiscal 2008. The figure declined as gross operating profit fell by 5.12% while general and administrative expenses increased by 2.48%.

Net income was ¥229.3 billion, a decline of 24.64% from the pro forma number of ¥304.3 billion (¥152.1 billion x 2) in fiscal 2008. The figure dropped as a result of the decrease in net operating profit by 20.41% and losses on investments in equities through money held in trust reflecting the deteriorating financial markets.

As a result, return on equity (ROE) for fiscal 2009 was 2.82%, down from 3.85% in fiscal 2008.

Net Interest Income

Net interest income was ¥1,655.3 billion, a decrease of 4.99% from the pro forma number of ¥1,742.4 billion (¥871.2 billion x 2) in fiscal 2008. In fiscal 2008, net interest income included ¥76.5 billion which represents the difference between the interest on deposits to the fiscal loan fund* and that on borrowed money*. In fiscal 2009, there was no contribution to net interest income from the difference between interest on deposits (to the fiscal loan fund) and on borrowed money.

*Prior to the reforms to the government's fiscal investment and loan program in fiscal 2002, all postal savings had to be deposited with the Ministry of Finance, which managed those funds. Deposits to the fiscal loan fund were funds that had been deposited for a term of seven years (mainly) and ten years. In addition, the interest rates on the deposits to the fiscal loan fund were higher than Japanese Government Bond yields (10-year Japanese Government Bond + 20 basis points). The deposits with a term of seven years were redeemed in fiscal 2008. Meanwhile, borrowed money represented funds that post offices chose to manage on their own and borrowed back from the Ministry of Finance for a 10-year term with the same interest rates as deposits to the fiscal loan fund. The balance of deposits to the fiscal loan fund and borrowed money was equivalent in fiscal 2009 and will fall to zero in fiscal 2011.

Interest income was ¥2,309.9 billion, a decrease of 8.70% from the pro forma number of ¥2,530.0 billion (¥1,265.0 billion x 2) in fiscal 2008. The figure dropped as the interest on deposits (to the fiscal loan fund) declined to ¥254.7 billion in fiscal 2009, from ¥273.8 billion in fiscal 2008. Meanwhile, the interest on securities was ¥1,940.8 billion, a growth of 3.57% from the pro forma number in fiscal 2008.

The average balance of interest-earning assets was ¥201,253.3 billion, a decrease of ¥11,337.3 billion from fiscal 2008. The decrease was attributable to a reduction in deposits (to the fiscal loan fund), which was partially offset by an increase in the average balance of securities. The earnings yield on interest-earning assets was 1.14%, down by 5 basis points from fiscal 2008. The decline reflects a contraction in deposits (to the fiscal loan fund), which generated a higher yield than that for securities. However, the yields on both securities and loans increased: the yield on securities was 1.11%, an increase of 3 basis points from 1.08% in fiscal 2008, and that on loans was 1.18%, an increase of 2 basis points from 1.16% in fiscal 2008.

Interest expenses were ¥654.5 billion, a decrease of 16.89% from the pro forma number of ¥787.6 billion (¥393.8 billion x 2) in fiscal 2008. The decline was attributable to a decline in interest costs reflecting a reduction in borrowed money.

The average balance of interest-bearing liabilities was ¥193,530.9 billion, a drop of ¥13,878.8 billion from fiscal 2008. The decrease was attributable to a decline in the balances of borrowed money and deposits. The interest rate on interest-bearing liabilities was 0.33%, down by 4 basis points from fiscal 2008. The major factor behind the decline was a contraction in the balance of borrowed money, which bears a higher interest rate than deposits. This decline was partially offset from an increase in the interest rate on deposits to 0.20%, from 0.19% in fiscal 2008. The interest rate on deposits was revised down from 0.21% as at the end of the first half of fiscal 2009 due to cuts in deposit rates through the second half of the fiscal year.

As a result of the foregoing, the spread between interest-earning assets and interest bearing liabilities was 0.80%, down by 2 basis points from fiscal 2008. The decline was attributable to redemption of deposits (to the fiscal loan fund), excluding the amount equivalent to borrowed money. However, the yield spread between securities and deposits, which are respectively the major components of the Bank's assets and liabilities, improved to 0.91%, up by 2 basis points from fiscal 2008.

Net Interest Income

	Millions of yen		
	Fiscal 2009	Fiscal 2008	Fiscal 2008 (pro forma)
Net interest income:	**¥1,655,330**	¥871,211	¥1,742,423
Interest income	**2,309,926**	1,265,037	2,530,075
Interest expenses	**654,596**	393,826	787,652

Notes: 1. Interest expenses exclude expenses corresponding to money held in trust (fiscal 2009: ¥2,425 million; fiscal 2008: ¥1,036 million).
2. Fiscal 2008 figures are for the six-month period from October 1, 2007 to March 31, 2008.

Yields on Interest-Bearing Assets and Interest Rates on Interest-Bearing Liabilities

	Millions of yen, %					
	Fiscal 2009			Fiscal 2008		
	Average balance	**Interest**	**Earnings yield**	Average balance	Interest	Earnings yield
Interest-earning assets:	**¥201,253,306**	**¥2,309,926**	**1.14**	¥212,590,632	¥1,265,037	1.19
Loans	**3,820,816**	**45,185**	**1.18**	3,908,239	22,847	1.16
Securities	**174,294,416**	**1,940,865**	**1.11**	172,423,811	936,932	1.08
Deposits (to the fiscal loan fund)	**14,606,904**	**254,746**	**1.74**	31,221,950	273,865	1.75
Due from banks	**7,905,353**	**40,455**	**0.51**	4,998,835	15,515	0.62
Interest-bearing liabilities:	**193,530,970**	**654,596**	**0.33**	207,409,851	393,826	0.37
Deposits	**179,573,276**	**373,863**	**0.20**	185,626,493	181,412	0.19
Borrowed money	**14,606,904**	**255,091**	**1.74**	22,329,234	197,357	1.76

Notes: 1. The average balance of money held in trust is excluded from interest-earning assets, and the average balance of expenses corresponding to money held in trust and the corresponding interest are excluded from interest-bearing liabilities.
2. Fiscal 2008 figures are for the six-month period from October 1, 2007 to March 31, 2008.

Net Fees and Commissions

Net fees and commissions were ¥91.0 billion, a decrease of 8.63% from the pro forma number of ¥99.7 billion (¥49.8 billion x 2) in fiscal 2008. The decline was attributable to a drop in fees and commissions on domestic exchanges, a weaker growth in investment trust-related fees and commissions, and limited contributions from new businesses, given the fact that they remained in a start-up stage despite their promising potential.

Fees and commissions were ¥112.3 billion, a decrease of 5.69% from the pro forma number of ¥119.1 billion (¥59.5 billion x 2) in fiscal 2008.

Fees and commissions on domestic and foreign exchanges were ¥66.5 billion, a decrease of 5.66% from the pro forma number of ¥70.5 billion (¥35.2 billion x 2) in fiscal 2008. The number declined as fees and commissions on transfer deposits dropped, reflecting a reduction in commissions on utility and tax payments. The Bank's participation in the Zengin System from January 2009 had limited impact on fees and commissions on domestic exchanges. However, the volume and value of transactions increased from fiscal 2008.

From fiscal 2009, the Bank enjoyed fees and commissions from new businesses launched in fiscal 2009, such as the credit card, variable annuities, and mortgage loan businesses, in addition to those fees and commissions earned from investment trust related operations, remittances and postal orders, ATM transaction services, and sale of over-the-counter Japanese Government Bonds. Other fees and commissions were ¥45.7 billion, a decrease of 5.72% from the pro forma number of ¥48.5 billion (¥24.2 billion x 2) in fiscal 2008. The decline was attributable to weaker investment trusts related fees and commissions. Contributions from new businesses launched in fiscal 2009 remained limited, as these businesses remain at a start-up stage. Although still small, the other fees and commissions contributed by these businesses in the second half of the fiscal period improved over the first half, and these businesses are expected to make large contributions in the near future.

Fees and commissions paid were ¥21.2 billion, an increase of 9.42% from the pro forma number of ¥19.4 billion (¥9.7 billion x 2) in fiscal 2008. The growth was attributable to higher ATM transaction fees.

Net Fees and Commissions

	Millions of yen		
	Fiscal 2009	Fiscal 2008	Fiscal 2008 (pro forma)
Net fees and commissions:	**¥ 91,096**	¥49,852	¥ 99,705
Fees and commissions received	**112,334**	59,556	119,113
Fees and commissions paid	**21,238**	9,703	19,407

Note: Fiscal 2008 figures are for the six-month period from October 1, 2007 to March 31, 2008.

Net Other Operating Income (Loss)

Net other operating income was ¥338 million, an improvement from fiscal 2008's net operating loss of ¥515 million.

Other operating income was ¥53.7 billion, including gains on sales of Japanese Government Bonds and other bonds of ¥53.0 billion. Other operating expenses were ¥53.4 billion, as losses on sales of Japanese Government Bonds and other bonds totaled ¥52.9 billion on sales of foreign currency denominated bonds.

Net Other Operating Income (Loss)

	Millions of yen		
	Fiscal 2009	Fiscal 2008	Fiscal 2008 (pro forma)
Net other operating income (loss):	**¥ 338**	¥ (515)	¥ (1,031)
Other operating income	**53,791**	703	1,406
Other operating expenses	**53,452**	1,218	2,437

Note: Fiscal 2008 figures are for the six-month period from October 1, 2007 to March 31, 2008.

General and Administrative Expenses

General and administrative expenses (including non-recurring losses) were ¥1,266.2 billion, an increase of 2.47% from the pro forma number of ¥1,235.5 billion (¥617.7 billion x 2) in fiscal 2008. The increase was due to higher personnel expenses and non-personnel expenses.

Personnel expenses were ¥109.6 billion, an increase of 2.21% from the pro forma number of ¥107.2 billion (¥53.6 billion x 2) in fiscal 2008. The acceptance of employees, mainly from Japan Post Network Co., Ltd. ("Japan Post Network"), which boosted our total number of employees.

Non-personnel expenses were ¥1,082.6 billion, an increase of 4.22% from the pro forma number of ¥1,038.7 billion (¥519.3 billion x 2) in fiscal 2008. Non-personnel expenses account for 85.5% of general and administrative expenses.

Payments on commissioned services for Japan Post Network were ¥648.1 billion, an increase of 7.64% from the pro forma number of ¥602.0 billion (¥301.0 billion x 2) in fiscal 2008. The number is determined mainly by deposit balances, fees and commissions, and incentives. Although deposit balances and fees and commissions declined, the number increased because of an increase in fees related to sales and administrative incentives, such as the fees related to the Bank's participation in the Zengin System.

The Bank pays subsidies to Japan Post Holdings Co., Ltd. ("Japan Post Holdings") in accordance with Article 122 of the Postal Service Privatization Law. The subsidies paid to Japan Post Holdings are a type of deposit insurance expenses for special deposits. In addition, the Bank insures deposits other than special deposits. Total deposit insurance expenses were ¥152.5 billion, an increase of 0.03% from the pro forma number of ¥152.4 billion (¥76.2 billion x 2) in fiscal 2008.

Non-personnel expenses other than the above (including rent for land, buildings, and machinery, expenses on consigned businesses, depreciation and amortization, communication and transportation expenses, maintenance expenses and others) were ¥281.9 billion, a decrease of 0.79% from the pro forma number of ¥284.2 billion (¥142.1 billion x 2) in fiscal 2008. The Bank has enhanced its efforts to reduce costs.

Taxes and dues were ¥73.9 billion, a decrease of 17.42% from the pro forma number of ¥89.5 billion (¥44.7billion x 2) in fiscal 2008. The figure includes mainly consumption, stamp, enterprise, and fixed asset taxes, in addition to consumption taxes related to payments on commissioned services for Japan Post Network.

General and Administrative Expenses

	Millions of yen		
	Fiscal 2009	Fiscal 2008	Fiscal 2008 (pro forma)
Personnel expenses:	**¥ 109,605**	¥ 53,616	¥ 107,232
Salary and allowances	**101,590**	49,510	99,021
Others	**8,014**	4,105	8,211
Non-personnel expenses:	**1,082,643**	519,392	1,038,784
Payments on commissioned services for Japan Post Network Co., Ltd.	**648,147**	301,046	602,092
Deposit insurance premiums to Japan Post Holdings Co., Ltd.	**97,732**	51,185	102,371
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	**54,768**	25,034	50,069
Rent expenses on land, buildings, and others	**10,960**	5,114	10,228
Expenses on consigned businesses	**90,100**	38,283	76,566
Depreciation and amortization	**54,797**	30,908	61,817
Communication and transportation expenses	**23,809**	10,939	21,879
Maintenance expenses	**10,023**	2,320	4,640
Others	**92,303**	54,559	109,118
Taxes and dues	**73,956**	44,778	89,557
Total	**¥1,266,205**	¥ 617,787	¥ 1,235,574

Note: Fiscal 2008 figures are substantially for the six-month period from October 1, 2007 to March 31, 2008, but include expenses related to the operations of the preparatory planning company, which occurred from April 1 to September 30, 2007.

Non-Recurring Gains (Losses)

In fiscal 2009, non-recurring losses were ¥95.3 billion, up by 4.16% from the pro forma number of ¥91.5 billion (¥45.7 billion x 2) in fiscal 2008. Losses on money held in trust rose to ¥100.2 billion (including ¥56.1 billion of impairment losses) from ¥14.9 billion in fiscal 2008, as performances of equities invested through money held in trust deteriorated reflecting the depressed stock markets. In fiscal 2008, non-recurring expenses included a ¥32.6 billion write-down of certain software assets following a thorough review of an integrated information processing system for the Japan Post group companies that the Bank inherited from Japan Post.

Non-Recurring Gains (Losses)

Millions of yen

	Fiscal 2009	Fiscal 2008	Fiscal 2008 (pro forma)
Non-recurring gains (losses):	¥ (95,358)	¥ (45,773)	¥ (91,546)
Non-recurring income	12,500	3,557	7,114
Non-recurring expenses	107,858	49,330	98,660

Note: Fiscal 2008 figures are substantially for the six-month period from October 1, 2007 to March 31, 2008, but include gains related to the operations of the preparatory planning company, which occurred from April 1 to September 30, 2007.

Financial Condition

Assets

Millions of yen

	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Cash and due from banks	¥ 5,999,116	¥ 8,835,055	¥ (2,835,939)
Call loans	51,184	3,655,000	(3,603,816)
Receivables under resale agreements	–	149,803	(149,803)
Receivables under securities borrowing transactions	725,786	–	725,786
Monetary claims bought	66,409	20,908	45,501
Trading account securities	159	172	(13)
Money held in trust	1,224,742	412,570	812,172
Securities	173,551,137	172,532,116	1,019,021
Loans	4,031,587	3,771,527	260,060
Foreign exchanges	9,872	13,453	(3,581)
Other assets	10,480,635	22,514,239	(12,033,603)
Tangible fixed assets	170,392	186,469	(16,077)
Intangible fixed assets	29,586	27,106	2,480
Deferred tax assets	141,273	32,269	109,004
Reserve for possible loan losses	(1,087)	(1,510)	422
Total assets	¥196,480,796	¥212,149,182	¥ (15,668,386)

Total Assets

At the end of fiscal 2009, total assets were ¥196,480.7 billion, a decline of ¥15,668.3 billion, or 7.3%, from the end of fiscal 2008. The decrease can be attributed to the ¥12 trillion decline from fiscal 2008 in deposits (to the fiscal loan fund) included in "Other assets."

Cash and Due from Banks, Call Loans, and Others

Cash was ¥124.6 billion, a decline of ¥67.8 billion, or 35.2%, from the end of fiscal 2008.

Due from banks was ¥5,874.4 billion, representing a decrease by ¥2,768.1 billion, or 32.0%, from the end of fiscal 2008. The decrease was attributable to a reduction in deposits with the Bank of Japan (BOJ), which had increased due to redemptions of deposits (to the fiscal loan fund) at the end of fiscal 2008. The balance of call loans was ¥51.1 billion, a decline of ¥3,603.8 billion, or 98.6%, from the end of fiscal 2008. The balance of call loans declined as we shrank our investment operations amid a contraction in market transaction volume, reflecting a rise in credit risks caused by the subprime loan crisis.

In fiscal 2009, the Bank began conducting repurchase transactions.

Money Held in Trust

Money held in trust amounted to ¥1,224.7 billion, an increase of ¥812.1 billion, or 196.8%, from the end of fiscal 2008. Investments in equities through money held in trust were aimed at diversifying income sources and associated risk.

Unrealized losses on money held in trust were ¥194.1 billion, deteriorating by ¥91.5 billion from the end of fiscal 2008, reflecting declines in stock prices associated with the adverse economic developments.

Unrealized Gains (Losses) on Money Held in Trust

Other money held in trust (excluding those classified for trading purposes and held to maturity)

Millions of yen

As of March 31, 2009			As of March 31, 2008		
Acquisition costs (A)	Balance sheet amount (B)	Change (B) — (A)	Acquisition costs (A)	Balance sheet amount (B)	Change (B) — (A)
¥1,418,878	¥1,224,742	¥(194,135)	¥515,188	¥412,570	¥(102,618)

Note: The balance sheet amount as of March 31, 2009 (end of fiscal 2009) is stated at the average market price of the final month (March) of fiscal 2009 for equity securities and at the market price at the balance sheet date for other securities. The balance sheet amount as of March 31, 2008 (end of fiscal 2008) is stated at the average market price of the final month of fiscal 2008 for all securities.

Securities

The balance of securities at the end of fiscal 2009 was ¥173,551.1 billion, up by ¥1,019.0 billion, or 0.5%, from the end of fiscal 2008.

The balance of Japanese Government Bonds was ¥155,490.1 billion, a decline of ¥1,283.0 billion, or 0.8%, from the end of fiscal 2008. Although the number declined slightly, Japanese Government Bonds account for an extremely high proportion of the Bank's investment operations.

Japanese local government bonds amounted to ¥6,177.2 billion, a decline of ¥1,322.0 billion, or 17.6%, from the end of fiscal 2008. Japanese corporate bonds were ¥9,880.4 billion, increasing by ¥2,078.7 billion, or 26.6%, from the end of fiscal 2008. Other securities, mainly consisting of foreign securities, were ¥1,459.5 billion, increasing by ¥1,001.4 billion, or 218.6%, from the end of fiscal 2008.

While the balances of Japanese government and local government bonds decreased, investments in Japanese corporate bonds and foreign securities increased in an effort by the Bank to diversify its sources of income and ensure higher returns. Foreign securities investments consist primarily of yen-denominated domestic bonds of foreign issuers. In fiscal 2009, the Bank began investing in investment trusts and other securities.

The ¥900 million investment in stocks consists of an in SDP Center Co., Ltd., an affiliated company to which the Bank started outsourcing mortgage intermediary operations in fiscal 2009.

Securities

Millions of yen

	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Securities:	¥173,551,137	¥172,532,116	¥ 1,019,021
Japanese Government Bonds	155,490,155	156,773,157	(1,283,001)
Japanese local government bonds	6,177,212	7,499,247	(1,322,035)
Commercial paper	542,904	–	542,904
Japanese corporate bonds	9,880,462	7,801,698	2,078,763
Stocks	900	–	900
Other securities	1,459,503	458,012	1,001,490

Unrealized gains on held-to-maturity securities (off-balance sheet items) were ¥2,447.5 billion, down by ¥104.7 billion from the end of fiscal 2008. Unrealized gains on available-for-sale securities were ¥165.6 billion, down by ¥61.7 billion from the end of fiscal 2008 reflecting a slight increase in interest rates.

Unrealized Gains (Losses) on Securities

Held-to-maturity securities whose fair value is available at end of fiscal period

Millions of yen

	As of March 31, 2009			As of March 31, 2008		
	Balance sheet amount (A)	Fair value (B)	Change (B) — (A)	Balance sheet amount (A)	Fair value (B)	Change (B) — (A)
Japanese Government Bonds	¥123,534,320	¥125,831,093	¥2,296,773	¥129,548,188	¥131,912,587	¥2,364,398
Japanese local government bonds	5,279,006	5,355,960	76,954	7,232,314	7,351,184	118,869
Japanese corporate bonds	5,552,480	5,626,314	73,834	4,387,181	4,456,220	69,038
Total	¥134,365,807	¥136,813,368	¥2,447,561	¥141,167,684	¥143,719,991	¥2,552,307

Note: Fair value is determined based on the market price as at the balance sheet dates.

Available-for-sale securities whose fair value is available at end of fiscal period

Millions of yen

	As of March 31, 2009			As of March 31, 2008		
	Acquisition cost (A)	Balance sheet amount (B)	Change (B) — (A)	Acquisition cost (A)	Balance sheet amount (B)	Change (B) — (A)
Bonds:	¥36,988,754	¥37,182,023	¥193,269	¥30,670,692	¥30,906,419	¥235,727
Japanese Government Bonds	31,790,638	31,955,835	165,196	27,026,090	27,224,969	198,878
Japanese local government bonds	889,016	898,206	9,189	263,195	266,932	3,737
Japanese corporate bonds	4,309,099	4,327,982	18,882	3,381,406	3,414,517	33,110
Other securities	1,553,501	1,525,912	(27,588)	487,266	478,921	(8,345)
Total	¥38,542,255	¥38,707,936	¥165,680	¥31,157,958	¥31,385,340	¥227,382

Notes: 1. The balance sheet amount is stated at the market price as at the balance sheet dates.
2. "Other securities" consists primarily of foreign securities.
3. Securities include investment securities, negotiable certificates of deposit recorded under "Cash and due from banks" and investment trusts under "Monetary claims bought."

Securities whose fair value is not available at end of the fiscal period

Millions of yen

	As of March 31, 2009	As of March 31, 2008
Investments in subsidiaries and affiliates:		
Investment in affiliates	¥ 900	–
Other securities:		
Commercial paper	542,904	–

Loans

The balance of outstanding loans was ¥4,031.5 billion, an increase of ¥260.0 billion, or 6.8%, from the end of fiscal 2008. Although loans to the Management Organization for Postal Savings and Postal Life Insurance declined, the total balance of outstanding loans increased due to a rise in the balance of syndicated loans.

Loans include loans to the Management Organization for Postal Savings and Postal Life Insurance, syndicated loans, loans with collateral deposits, and loans to group companies. The Bank is not allowed to provide loans directly to corporations. In addition, the mortgage loan business is currently an intermediary operation that is operated through Suruga Bank Ltd.

Loans to the Management Organization for Postal Savings and Postal Life Insurance were ¥3,361.1 billion, down by ¥352.5 billion, or 9.4%, from the end of fiscal 2008. These loans mainly consist of loans to Japanese local governments provided as part of the government's fiscal investment and loan program and will likely continue to decline in the future periods.

Loans to individuals totaled ¥67.3 billion, an increase of ¥52.1 billion, or 345.0%, from the end of fiscal 2008.

Loans to Japan Post Holding, which totaled ¥22.0 billion at the end of fiscal 2008, were reduced to zero at the end of fiscal 2009.

Loans other than those described above, such as syndicated loans and loans purchased on secondary markets, totaled ¥603.0 billion, an increase of ¥582.3 billion, or 2,811%, from the end of fiscal 2008. In December 2007, we launched syndicated and secondary loan businesses after receiving governmental approval. We increased the amount of these loans as part of proactive measures to diversify our sources of income and ensure higher returns.

Our loans are all classified as normal loans. We do not hold any non-performing loans classified as problem assets under the Financial Reconstruction Law.

Loans by Industry

Millions of yen

	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Agriculture, forestry, fishing, and mining	–	–	–
Manufacturing	¥ 190,182	¥ 7,821	¥ 182,360
Utilities, information/communications, and transportation	201,651	–	201,651
Wholesale and retail	18,392	6,391	12,000
Finance and insurance	3,414,775	3,735,689	(320,914)
Construction and real estate	50,681	5,000	45,681
Services	10,200	1,500	8,699
National and local governments	51,381	–	51,381
Others	94,323	15,125	79,197
Total	¥ 4,031,587	¥ 3,771,527	¥ 260,060

Note: Loans to the Management Organization for Postal Savings and Postal Life Insurance, included in loans to the line item "finance and insurance," were ¥3,361,177 million at the end of fiscal 2009 and ¥3,713,689 million at the end of fiscal 2008.

Loans to Individuals and Small and Midsize Enterprises

Millions of yen, %

	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Total loans (A)	¥4,031,587	¥3,771,527	¥260,060
Loans to individuals and small and midsize enterprises (B)	67,323	15,125	52,197
(B/A)	1.66	0.40	1.26

Disclosures Under the Financial Reconstruction Law

	Millions of yen		
	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Loans to borrowers classified as bankrupt or quasi-bankrupt	**–**	–	–
Loans to borrowers classified as doubtful	**–**	–	–
Loans requiring close monitoring	**–**	–	–
Loans to borrowers classified as normal	**¥4,042,904**	¥3,785,615	¥257,289
Total	**¥4,042,904**	¥3,785,615	¥257,289

Deposits (to the fiscal loan fund)

Deposits (to the fiscal loan fund) account for the largest proportion of other assets. The outstanding balance was ¥8,700.0 billion, a decline of ¥12 trillion, or 57.9%, from the end of fiscal 2008. Deposits (to the fiscal loan fund) are deposits that were made to the Ministry of Finance prior to the reforms to the Japanese government's fiscal investment and loan program in fiscal 2002. No additional deposits have been made subsequent to these reforms. The current balance is equivalent to borrowed money, included in liabilities, and will fall to zero in fiscal 2011.

Securitized Products Exposure

Securitized products in fiscal 2009 totaled ¥839.6 billion, including ¥704.5 billion in residential mortgage backed securities (RMBS) originated mainly by Japan Housing Finance Agency. The Bank has no exposure to securitized products related to subprime loans, structured investment vehicles (SIVs), leveraged loans or monoline insurers, or U.S. government sponsored enterprises (GSEs).

Furthermore, securitized products are all for investment purposes and the Bank does not include any products backed by its own assets among securitized products.

Securitized Products

	Billions of yen, %			
	As of March 31, 2009			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B/A)	Credit ratings
Residential mortgage backed securities (RMBS):	¥704.5	¥(5.0)	(0.7)	AAA
Subprime loan related amounts	–	–	–	–
Collateralized loan obligations (CLO)	71.3	0.5	0.7	AAA
Other securitized products (securitized products with credit card receivables as underlying assets)	63.6	(0.1)	(0.2)	AAA~BBB
Collateralized mortgage backed securities (CMBS)	–	–	–	–
Collateralized debt obligations (CDO)	–	–	–	–
Total	¥839.6	¥(4.6)	(0.5)	

Notes: 1. No hedging activities against credit risks were made.
2. Underlying assets are located in Japan.
3. The numbers do not include securitized products that might be included in investment trusts.

Deferred Tax Assets

Net deferred tax assets at the end of fiscal 2009 were ¥141.2 billion, an increase of ¥109.0 billion, or 337%, from the end of fiscal 2008. Unrealized gains on other (available-for-sale) securities recorded in fiscal 2008 became losses in fiscal 2009. The move increased deferred tax assets by ¥62.3 billion. Considering the Bank's size of taxable income, our management believes that all the deferred tax assets are recoverable.

Major Components of Deferred Tax Assets and Liabilities

	Millions of yen		
	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Deferred tax assets:			
Reserve for possible loan losses	**¥ 442**	¥ 614	¥ (172)
Reserve for employees' retirement benefits	**51,913**	50,839	1,073
Accumulated depreciation	**20,847**	9,781	11,065
Accrued interest on deposits	**22,265**	–	22,265
Impairment losses of money held in trust	**11,764**	–	11,764
Net unrealized losses on available-for-sale securities	**11,578**	–	11,578
Other	**26,213**	23,171	3,042
Total deferred tax assets	**145,025**	84,407	60,617
Deferred tax liabilities:			
Unrealized gains (losses) on available-for-sale securities	**–**	50,770	(50,770)
Other	**–**	1,367	(1,367)
Total deferred tax liabilities	**3,751**	52,138	(48,386)
Net deferred tax assets	**¥141,273**	¥ 32,269	¥109,004

Liabilities

	Millions of yen		
	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Deposits	**¥177,479,840**	¥181,743,807	¥ (4,263,966)
Payables under securities lending transactions	**804,770**	–	804,770
Borrowed money	**8,700,000**	20,700,000	(12,000,000)
Foreign exchanges	**102**	327	(225)
Other liabilities	**1,182,240**	1,496,986	(314,746)
Reserve for employees' bonuses	**6,542**	6,227	314
Reserve for employees' retirement benefits	**127,584**	124,932	2,652
Reserve for directors' retirement benefits	**141**	45	95
Total liabilities	**¥188,301,222**	¥204,072,327	¥(15,771,104)

Total Liabilities

Total liabilities were ¥188,301.2 billion, a decline of ¥15,771.1 billion, or 7.7%, from the end of fiscal 2008. The drop is mainly attributable to a decrease in borrowed money.

Deposits

Our deposits balance at the end of fiscal 2009 was ¥177,479.8 billion, a decline of ¥4,263.9 billion, or 2.3%, from the end of fiscal 2008.

Declines in our deposits balance have been observed since prior to our incorporation due to the maturity of TEIGAKU deposits. These declines have, however, largely stabilized. The deposits balance fell by ¥3,182.4 billion in the first half of fiscal 2009 and by ¥1,081.5 billion in the second half. In particular, time deposits dropped by ¥1,175.5 billion in the first half of fiscal 2009, but saw an increase by ¥776.0 billion in the second half.

In addition, we have adopted measures aimed at maintaining and stabilizing the deposits balance, such as offering premium interest rates on deposits and taking steps to further enhance the convenience of customer accounts.

Special deposits are government-guaranteed time deposits acquired before our incorporation (including those that became ordinary deposits as they were unredeemed after the date of maturity). These deposits were transferred to the Management Organization for Postal Savings and Postal Life Insurance following privatization and then deposited with the Bank. The balance of special deposits was ¥76,835.3 billion at the end of fiscal 2009, down from ¥109,519.6 billion at the end of fiscal 2008, and is expected to continue to decline. We are obligated to hold safe assets – such as Japanese Government Bonds and government-guaranteed bonds – in an amount that is equivalent to the amount of special deposits.

Balances by Type of Deposit

	Millions of yen			
	As of March 31, 2009	As of March 31, 2008	Y-o-Y change	Reference: As of September 30, 2008
Liquid deposits	**¥ 59,660,898**	¥ 63,482,363	¥(3,821,464)	¥ 61,454,511
Time deposits	**117,488,226**	117,887,704	(399,478)	116,712,202
Other deposits	**330,715**	373,739	(43,024)	394,638
Total	**¥177,479,840**	¥181,743,807	¥(4,263,966)	¥ 178,561,352

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 + Installment postal savings equivalent + Postal savings for housing installments + Education installment savings equivalent)

3. Special deposits (corresponding to ordinary postal deposits) are due to banks received from the Management Organization for Postal Savings and Postal Life Insurance and correspond to the postal savings passed on to the organization by Japan Post.

Deposits Balance by Category

	Millions of yen		
	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Transfer deposits	**¥ 7,269,971**	¥ 7,500,480	¥ (230,509)
Ordinary deposits	**46,109,765**	48,243,513	(2,133,748)
Savings deposits	**466,585**	511,045	(44,460)
Time deposits	**17,408,597**	5,798,826	11,609,771
Special deposits	**76,835,303**	109,519,634	(32,684,331)
TEIGAKU deposits	**29,058,902**	9,796,566	19,262,335
Other deposits	**330,715**	373,739	(43,024)
Total	**¥177,479,840**	¥181,743,807	¥ (4,263,966)

Borrowed Money

At the end of fiscal 2009, the balance of borrowed money was ¥8.7 trillion, a decline of ¥12 trillion, or 57.9% from the end of fiscal 2008. Borrowed money represents the funds the postal savings business borrowed from the Ministry of Finance to manage at its own discretion, prior to the reforms to the Japanese government's fiscal investment and loan program in fiscal 2002. No additional money has been borrowed subsequent to the reforms. The balance of borrowed money was equivalent to the deposits (to the fiscal loan fund) in assets in fiscal 2009 and will fall to zero in fiscal 2011.

Reserve for Employees' Retirement Benefits

The reserve for employees' retirement benefits was ¥127.5 billion at the end of fiscal 2009, up by ¥2.6 billion, or 2.1%, from the end of fiscal 2008. We have adopted a lump-sum retirement benefit payment plan and do not use any other pension schemes.

Reserve for Employees' Retirement Benefits

	Millions of yen	
	As of March 31, 2009	As of March 31, 2008
Projected benefit obligation	**¥(124,752)**	¥(124,361)
Unfunded projected benefit obligation	**(124,752)**	(124,361)
Unrecognized net actuarial losses	**(2,832)**	(571)
Net amount recorded on the balance sheets	**(127,584)**	(124,932)
Reserve for employees' retirement benefits	**¥(127,584)**	¥(124,932)

Breakdown of Total Retirement Benefit Costs

	Millions of yen	
	As of March 31, 2009	As of March 31, 2008
Service cost	**¥5,922**	¥3,019
Interest cost on projected benefit obligation	**2,117**	1,082
Amortization of unrecognized net actuarial losses	**(57)**	–

Assumptions Used in the Calculation of the Above Information

	As of March 31, 2009	As of March 31, 2008
Method of attributing the projected benefits to periods of service	**Straight-line basis**	Straight-line basis
Discount rate	**1.7%**	1.7%
Amortization period of unrecognized actuarial gains (losses)	**10 years**	10 years

Net Assets

	Millions of yen		
	As of March 31, 2009	As of March 31, 2008	Y-o-Y change
Common stock	**¥3,500,000**	¥3,500,000	–
Capital surplus	**4,296,285**	4,296,285	–
Retained earnings	**413,140**	206,577	¥ 206,563
Total shareholders' equity	**8,209,426**	8,002,862	206,563
Net unrealized gains (losses) on available-for-sale securities	**(16,877)**	73,992	(90,869)
Unrealized gains (losses) on hedging derivatives	**(12,974)**	–	(12,974)
Total valuation and translation adjustments	**(29,851)**	73,992	(103,844)
Total net assets	**¥8,179,574**	¥8,076,855	¥ 102,718

Net assets at the end of fiscal 2009 were ¥8,179.5 billion, up by ¥102.7 billion, or 1.2%, from the end of fiscal 2008.

Shareholders' equity was ¥8,209.4 billion, an increase of ¥206.5 billion, or 2.5%, from the end of fiscal 2008, due to an increase in retained earnings. We posted ¥16.8 billion of net unrealized losses on available-for-sale securities in fiscal 2009, down from ¥90.8 billion of gains in fiscal 2008, reflecting deterioration of financial markets. In addition, we book ¥12.9 billion of unrealized losses on hedging derivatives as these instruments were used to hedge interest rate and exchange rate risks.

Capital Resource Management

At the end of fiscal 2009, net assets were ¥8,179.5 billion.

We have maintained a capital adequacy ratio (non-consolidated, domestic standard) at a high level. As determined under the Banking Law of Japan, the Bank's capital adequacy ratio at the end of fiscal 2009 was 92.09%, an increase of 6.18 percentage points from the end of fiscal 2008. In addition, Tier I capital accounted for the majority of the Bank's capital, as underlined by its extremely high Tier I capital ratio of 92.08% at the end of fiscal 2009.

The Bank's risk-based capital totaled ¥8,152.4 billion, up by ¥171.4 billion, or 2.1%, from the end of fiscal 2008. This increase was mainly attributable to a growth in retained earnings.

Risk assets amounted to ¥8,852.4 billion, representing a decrease of ¥437.9 billion, or 4.7%, from the end of fiscal 2008. The decline is attributable mainly to a revision to the Bank's asset structure, a result of the newly adopted diversified investment strategy, and a decrease in gross operating profits, which is a major component in the calculation of the operational risk equivalent.

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen, %	
	As of March 31, 2009	As of March 31, 2008
Tier I capital (A)	**¥8,152,126**	¥7,980,062
Tier II capital (B)	**370**	950
Deductions (C)	**–**	–
Total risk-based capital (A+B–C) (D)	**8,152,496**	7,981,013
Risk assets (E):	**8,852,495**	9,290,447
On-balance-sheet items	**5,406,131**	4,920,454
Off-balance-sheet items	**74,249**	882,951
Operational risk equivalent / 8%	**3,372,115**	3,487,041
Capital adequacy ratio (D/E)	**92.09**	85.90
Tier I capital ratio (A/E)	**92.08**	85.89

Dividends

While taking into account the Bank's earnings performance and financial market conditions, the Bank intends as a policy matter to reinforce its capital base in a bid to retain its financial health, seek future growth opportunities, and boost its shareholder value by enhancing returns to shareholders.

In view of the above-mentioned capital policy, the Bank increased the total cash dividend paid for fiscal 2009 to ¥57.3 billion, up from ¥22.8 billion in fiscal 2008, and the per-share cash dividend to ¥382, up from ¥152. The dividend payout ratio was 24.98%, representing an increase of 14.98% in fiscal 2008. It should be noted that the cash dividend paid in fiscal 2008 essentially reflects that of a six-month period following privatization on October 1, 2007, the date on which the Bank launched its banking operations.

Off-Balance Sheet Arrangements & Contractual Cash Obligations

Contractual cash obligations in fiscal 2009 were as follows:

1. Assets pledged as of March 31, 2009 as collateral and their relevant liabilities at March 31, 2009 were as follows:

	Millions of yen
Assets pledged as collateral:	
Securities	¥76,643,404
Relevant liablilities to the above assets:	
Deposits	76,852,848
Payables under securities lending transactions	804,770

Additionally, securities at March 31, 2009 amounting to ¥3,081,318 million are pledged as collateral for transactions such as BOJ overdrafts, exchange settlement transactions, or substitute securities for derivatives.

At March 31, 2009, guarantee deposits of ¥834 million were included in "Other assets" in the accompanying balance sheet.

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

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

   In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows. Conditions are included in certain loan agreements 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. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank's established internal procedures and takes necessary measures to protect its credit.

3. The Bank has contractual obligations to make future payments on consignment contracts for system related services (such as usage of hardware, software, telecommunication services, and maintenance). The details are as follows:

	Millions of yen
One year or less	¥ 38,888
Over one year	89,202
Total	¥128,090

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP").

The preparation of these financial statements requires management to make estimates and assumptions that may affect the reported amounts in the financial statements. Our management continues to evaluate these estimates and assumptions taking into consideration experiences and various other information that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions as these estimates and assumptions often involve uncertainties.

Our management believes the following to be critical accounting policies and estimates that are expected to have a material impact on the reported amounts in our financial statements.

Valuation of Securities

The investment balances of our securities are important items in our financial statements. Accounting policies applied by management that require estimates of the value of the securities are expected to have a material impact on our financial statements. The securities we hold include "held-to-maturity securities" and "other securities." Within "other securities," the market price at the balance sheet date, if available, is recorded as the fair value. If there is no available market price at the balance sheet date, the fair value is based on the appraisal value assessed by independent third parties, such as brokers.

Valuation of Money Held in Trust

Accounting policies applied by management that require estimates of the value of money held in trust and impairment losses related to money held in trust are expected to have a material impact on our financial statements.

"Other money held in trust" includes trust assets that consist of equity securities.

Gains and losses on equity securities are recognized based on the average market prices during the last month of the fiscal period. The purpose is to level off short-term price fluctuations, as these equity securities are not purchased to be resold in a short period of time. In addition, if the market value of an equity security declines substantially from its cost at acquisition and we determine that its value is not likely to increase, the equity security is restated at the market price on the balance sheet and we record a valuation loss for the fiscal year. An equity security within money held in trust is deemed to have declined substantially when its market value declines by 50% or more from its cost at acquisition.

In determining if an equity security's value is not likely to increase, we consider the possibility that the market price of a security may recover if decreases are due to an overall decline of the stock market in the short-term or to changes in interest and foreign exchange rates, and not due to reasons specific to the security. However, management determines that an equity security's value is not likely to increase when its average market value over the six months before the fiscal year end is 70% of its cost at acquisition or less.

Management believes that its accounting policies applied to make estimates of the value of money held in trust are reasonable and conservative. If management later concludes that what had been viewed as a short-term economic cycle decline of the stock market is other than temporary, management may revise its criteria for determining whether the market values of equity securities within money held in trust are likely to increase or are recoverable and may additionally impair the values.

Reserve for Employees' Retirement Benefits

The Bank has established a lump-sum retirement payment plan for employees in accordance with its internal retirement benefit rules.

Periodic expenses and accrued liabilities relating to employees' retirement benefits are calculated based on a number of actuarial assumptions, including discount rates, withdrawals, mortality, and rates of increase of compensation levels, which management determines by comprehensively considering all available information.

The discount rate assumptions are based on high grade fixed income investment yields with durations that approximately match the estimated number of years remaining until employee retirement, the point at which benefit payment occurs. Management has set the discount rate at 1.7% after taking into account potential bond interest rate fluctuations, in addition to the above-mentioned assumptions.

Actuarial gains and losses, the difference between actual payments and the above-mentioned assumptions, are recognized in income or expenses using the straight-line method over a period of years. Management has set this period as 10 years, which is fairly shorter than the expected average remaining years of service of employees.

Management believes that the assumptions used are appropriate; however, differences between actual consequences and the above mentioned assumptions may affect retirement benefit expenses and liabilities in the future.

Deferred Tax Assets

Deferred tax assets are an important item on the asset side of our balance sheet. Accordingly, accounting policies applied by management that require estimates of the extent to which deferred tax assets will be utilized are expected to have a material impact on our financial statements.

Each period we record taxable income sufficiently in excess of deductions resulting from temporary differences at the end of each period in accordance with the JICPA Auditing Committee Report No.66 "Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets." Accordingly, management has concluded that deferred tax assets are expected to be fully utilized.

Management believes that the above conclusion of the extent to which deferred tax assets will be utilized is reasonable. However, substantial unanticipated changes to our business environment may arise reducing the extent to which deferred tax assets will be utilized and resulting in a material impact to the reported amounts in our financial statements.

Risk Management

Basic Approach

Advances in financial deregulation, globalization, and information technology have led to rapid growth in the diversity and complexity of banking operations, exposing financial institutions to various risks. We have placed a high priority on risk management to ensure a sophisticated framework that identifies, measures, monitors, and controls a wide variety of risks associated with our operational activities.

Our basic policy is to manage risks in view of our management strategies and risk characteristics and to achieve optimal allocation of resources. By doing so, we are able to ensure a stronger financial condition and maximize shareholder value by maintaining a sound operation. The roles and responsibilities of personnel involved in risk management are assigned so that conflicts of interest do not occur and cross checking activities are performed effectively.

Integrated Risk Management

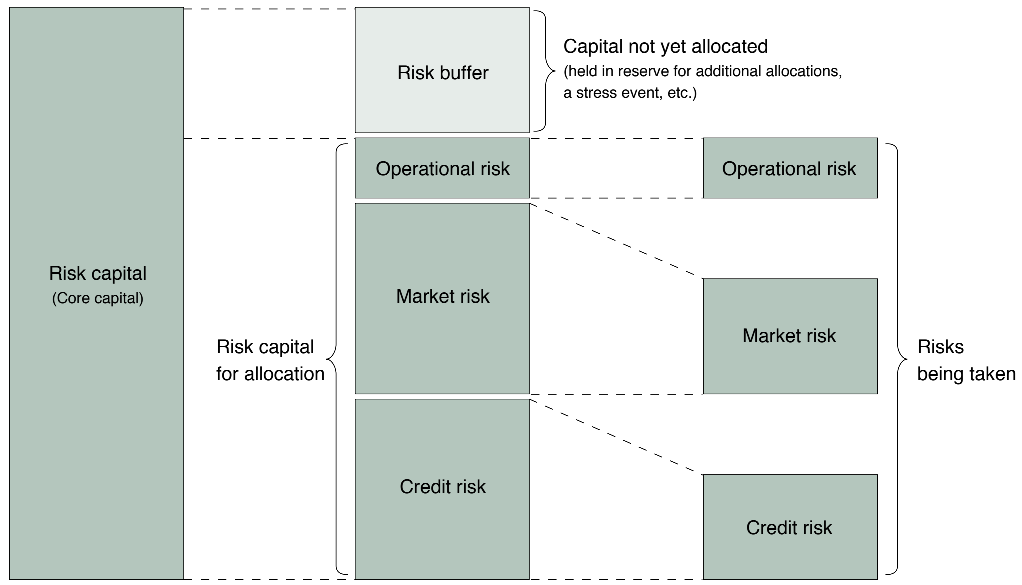
We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We analyze these risks from both quantitative and qualitative approaches.

From our quantitative approach, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business in accordance with the type of expected risk and nature of the business activities. We calculate our risk capital based on value at risk, or VaR, techniques that ensure objective and appropriate assessments as a uniform measurement standard. VaR is a statistical method used to compute the maximum expected loss based on assets and liabilities held at given probabilities and for given periods of time.

From our qualitative approach – used in conjunction with the quantitative methodology – we assess the nature of the risks. For instance, we have established an integrated plan, do, check, action, or PDCA, cycle for operational risk that uniformly recognizes, evaluates, manages, and reduces risk.

Allocation of risk capital is determined by the Representative Executive Officers,namely, the CEO and COO, following discussions in the ALM Committee and Executive Committee.

Process of Risk Management and Risk Capital Allocation



Risk Management Organization

We have established risk management departments per each risk category and a Risk Management Department, which operates independently from other departments. The risk management departments with in each risk category are responsible for monitoring the risk within the respective risk category. The Risk Management Department is responsible for monitoring the risks within the risk categories in an integrated manner in order to ensure comprehensive risk management.

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

Prior to launching new products, services, or businesses, potential risks are assessed and appropriate methods to determine risks are selected in order to establish a suitable risk management system for them.

Implementation of Basel II

The Basel Committee on Banking Supervision, an arm of the Bank for International Settlements, has set capital adequacy standards for all internationally active banks to ensure minimum levels of capital. The Basel Committee recently released a revised version, Basel II, which has been applied to Japanese banks since March 31, 2007.

Basel II is based on three pillars: (1) minimum capital requirements, (2) a supervisory review process for risk assessment that cannot be fully addressed through minimum capital requirements alone (such as interest rate risks in the banking book and credit concentration risks), and (3) market discipline allowing for market assessment through appropriate disclosures. The Bank complies with all provisions of Basel II.

The Bank has adopted the standardized approach to calculate its credit risk-weighted assets and the basic approach to assess the capital requirements for operational risk. Meanwhile, the Bank has adopted special exemptions for market risk amounts.

Market Risk Management / Market Liquidity Risk Management

1. Market Risk Management

The Bank has developed a proprietary business model, which enables the Bank to gather deposits from nationwide individual customers. Under a sophisticated risk management framework, it ensures stable income flow by investing in secure and high-quality financial products – primarily Japanese Government Bonds. The majority of our deposits consist of 10-year TEIGAKU deposits, puttable after six months. Since Japanese Government Bonds account for the majority of our assets and TEIGAKU deposits for a majority of our liabilities, we focus on carefully adjusting asset and liability durations in order to secure stable income. Our market risk management system reflects the nature of assets and liabilities as indicated above.

Our market risk management starts with setting appropriate risk limits to reflect risk capital allocations. We then ensure that market risk does not exceed our limits based on our financial strengths which are driven by a number of factors including capital. The amount of market risks is measured by VaR. We also carry out various stress tests to factor in extreme market fluctuations that might not be measured under the VaR statistical method.

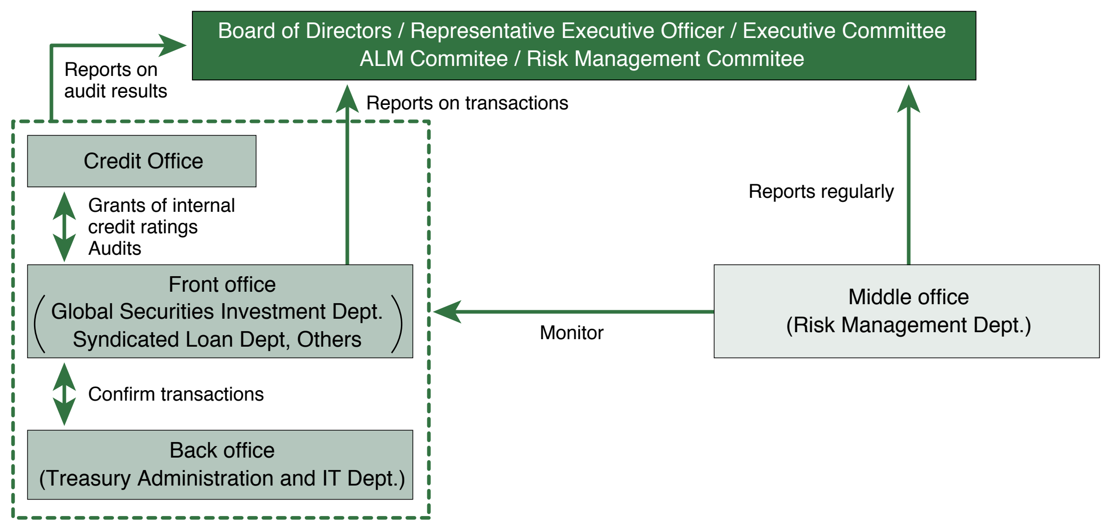
In addition, we closely monitor and carefully control interest rate risk by performing earning simulations based on various market scenarios, given the importance of interest rate risk impact upon the Bank's profit structure.

To provide a system of cross checks and balances in market operations, we have set up the Risk Management Department as a "middle office" that is independent from the Bank's front and back offices.

Under the market risk management system, the Bank fully utilizes a VaR and quantitative risk limit framework on a daily basis to enable responsive and proactive decision-making.

The Bank seeks to achieve a stable income flow by regularly conducting back and stress tests and reporting to the ALM Committee.

Market Risk Management System



2. Market Risk Measurement Model

Our internal VaR risk management model measures market risk based on a historical simulation method, using as parameters a one-tailed confidence interval of 99%, a holding period of 240 business days (equivalent to one year), and an observation period of 1,200 business days (equivalent to five years).

To measure interest rate risk relating to liquid deposits, we define the amount of "core deposits" as the smallest of (1) the minimum balance in the last 5 years, (2) the balance after deducting the maximum annual outflow in the last 5 years from the current balance, or (3) the equivalent of 50% of the current balance, and assume the maturity of the deposits up to five years (the average is 2.5 years). Meanwhile, interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow model.

3. Market Risk Exposure

Currently, the Bank is not involved in trading operations. In fiscal 2009, market risk (VaR) of the Bank's banking operations was as follows:

VaR (From April 1, 2008 to March 31, 2009)

Billions of yen

Fiscal 2008	Year end	Maximum	Minimum	Average
	¥1,560.1	¥2,401.3	¥1,560.1	¥1,958.7

4. Stress Testing

Our VaR model calculates risk amounts using a statistical formula based on historical data, but is not designed to capture certain extreme market fluctuations. Accordingly, the Bank regularly conducts stress tests to measure potential losses using a number of scenarios, including the estimated effect of largest fluctuations in financial markets over the past decade. The results of the stress tests are reported to the ALM Committee and other risk management-related departments.

5. Market Liquidity Risk Management

Our basic approach to market liquidity risk management is to monitor portfolio assets and market conditions so that the Bank is able to take appropriate actions in line with market liquidity conditions. The Risk Management Department monitors market liquidity risk as well as market risk.

Funding Liquidity Risk Management

Our basic steps in funding liquidity risk management are to closely monitor the funding conditions and take timely and appropriate actions. We then maintain appropriate liquidity reserves for unexpected fund outflows.

Through these steps, the Risk Management Department monitors and analyzes the Bank's funding liquidity indicators to ensure a stable liquidity management.

We have established a company-wide system to manage liquidity risk by categorizing the risk into the following three stages: "normal," "concerned," and "emergency." We have also established a liaison and consultation system for funding in preparation for possible contingencies at the "concerned" and "emergency" stages.

Credit Risk Management

1. Credit Risk Management

The Bank's assets mainly consist of Japanese Government Bonds, with limited investments in Japanese corporate bonds, syndicated loans, and other instruments. Taking into account our credit policy focusing on securing high-quality assets, we selectively invest in Japanese corporate bonds with high credit ratings. Consequently, our credit risk exposure is relatively small compared with our market risk exposure.

Similar to market risk, we monitor and manage credit risk by setting credit risk and loss limits to reflect risk capital allocations determined by the committee. We use VaR to measure credit risk and also carry out various stress tests factoring in extreme market fluctuations that might not be measured under the VaR statistical method.

In order to control credit concentration, we have set credit limits for individual companies and corporate groups according to their creditworthiness and monitor the portfolios in an appropriate manner by adhering to these limits. Looking ahead, we plan to improve our credit portfolio management as we expect to expand our borrower base.

The Risk Management Department functions as a "middle office" independently from its front and back offices to provide a system of cross checks and balances in credit risk management. We also have a Credit Office for credit investigations.

The Risk Management Department oversees the Bank's internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Office assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss key issues related to risk management.

2. Measuring Credit Risk

Our credit risk (VaR) measurement model employs the Monte Carlo simulation method, which is designed to provide a 99 VaR confidence level and is calculated for a one-year time period.

In addition, we calculate losses using the mark-to-market method, which recognizes losses from defaults by borrowers as well as those on loans whose economic value was reduced due to cuts in the credit ratings of the respective borrowers.

3. Stress Testing

Our VaR calculations represent a statistical measurement of credit risk based on the probabilities associated with the changes in credit ratings and other financial conditions. Consequently, the model cannot properly reflect credit risks under conditions of extreme market volatility or when the assumptions used for our calculations are no longer valid. For that reason, we regularly conduct stress tests to determine the magnitude of losses that could result from market volatility exceeding the range of assumptions used in our model. In our stress tests, we use a number of scenarios, including the estimated effect of largest fluctuations in financial markets over the past decade. The results of the stress tests are reported to the ALM Committee and other risk management-related departments.

4. Internal Credit Ratings

Internal credit ratings are used for various purposes such as credit risk measurement, loan pricing, self-assessments, and in determining reserves for possible loan losses and write-offs.

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

We conduct self-assessments to classify assets based on their creditworthiness. This is an integral part of credit risk management and is the basis for appropriate accounting treatment, including reserves for possible loan losses and write-offs.

The Bank carries out self-assessment of asset quality using criteria based on the practical guidelines for examining internal control regarding self-assessment of assets in banks and other financial institutions and auditing write-offs for defaulted loans and provisioning for possible loan losses as defined by the Financial Services Agency. Departments are responsible for self-assessments and assess the security of each asset.

- Loans to borrowers classified as normal or requiring special attention are divided into groups according to their default probability, and the expected loss amount for each classfication is reserved based on the classfication's historical default ratio.
- For loans to doubtful borrowers, we set reserves for the remaining portion of the loan, as appropriate, after deducting the estimated value of collateral and guarantees from the loan.
- For loans to virtually bankrupt and already bankrupt borrowers, we deduct the estimated value of collateral and the amount that can be covered from guarantees from the loan balance and establish reserves for the entire remaining portion of the loan.

Asset Classifications

Asset category	Description
Unclassified (Type I)	Assets not classified as type II, III, or IV and deemed to have no material concerns in their recovery
Type II	Assets that carry above-ordinary level of risk to the recovery of those assets due to insufficient repayment capacity or credit-related issues of borrowers
Type III	Assets for which final recovery or asset value is very doubtful and pose a high risk of incurring a loss
Type IV	Assets assessed as unrecoverable or worthless

6. Management of Individual Borrowers

We regularly monitor the loan repayment history and financial conditions of our borrowers in order to capture the credit risks of borrowers in a timely and appropriate manner. We are also engage in stricter monitoring for those borrowers requiring extra attention due to a possible credit rating downgrade or sharp drops in stock prices.

Operational Risk Management

The Bank classifies operational risks into seven categories: processing, computer system, information assets, legal, human resources, tangible assets, and reputational risks.

We identify, assess, control, monitor, and mitigate risks for each risk category to manage operational risks and to maintain the soundness of our operations. The risk management process identifies risks associated with business operations and assesses these risks based on the occurrence frequency, and the degree of their impact on operations.

Through the implementation of Risk & Control Self-Assessment (RCSA), operational risks and the control effectiveness for mitigating these risks are regularly assessed and examined.

RCSA points out areas that require improvement and aspects of our risk management activities that need to be reinforced. Based on the results, we form improvement plans, establish measures to further mitigate risk exposure, and take the required actions.

The Bank has an operational risk reporting system to track and update operational errors and accidents in a timely manner. We analyze the contents of these reports to determine the causes of these events and identify trends. This process yields fundamental data for formulating and executing effective countermeasures.

Financial Statements

Balance Sheets

As of March 31, 2009 and 2008

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Assets			
Cash and due from banks:	¥ 5,999,116	¥ 8,835,055	$ 61,072,138
Cash	124,681	192,491	1,269,278
Due from banks	5,874,434	8,642,564	59,802,860
Call loans	51,184	3,655,000	521,063
Receivables under resale agreements	–	149,803	–
Receivables under securities borrowing transactions	725,786	–	7,388,640
Monetary claims bought	66,409	20,908	676,061
Trading account securities (Note 20):	159	172	1,623
Trading Japanese government bonds	159	172	1,623
Money held in trust (Notes 19 and 20)	1,224,742	412,570	12,468,111
Securities (Notes 7, 19 and 20):	173,551,137	172,532,116	1,766,783,447
Japanese Government Bonds	155,490,155	156,773,157	1,582,919,230
Japanese local government bonds	6,177,212	7,499,247	62,885,192
Japanese corporate bonds	10,423,366	7,801,698	106,111,843
Other securities	1,460,403	458,012	14,867,181
Loans (Note 22):	4,031,587	3,771,527	41,042,326
Loans on deeds	3,790,537	3,502,875	38,588,390
Overdrafts	241,050	268,651	2,453,936
Foreign exchanges (Note 3)	9,872	13,453	100,505
Other assets (Note 4)	10,480,635	22,514,239	106,694,856
Tangible fixed assets (Note 5)	170,392	186,469	1,734,627
Intangible fixed assets (Note 6)	29,586	27,106	301,201
Deferred tax assets (Note 24)	141,273	32,269	1,438,191
Reserve for possible loan losses	(1,087)	(1,510)	(11,074)
Total assets	¥ 196,480,796	¥ 212,149,182	$ 2,000,211,714

See notes to financial statements.

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Liabilities			
Deposits (Notes 7 and 8)	¥ 177,479,840	¥ 181,743,807	$ 1,806,778,383
Payables under securities lending transactions (Note 7)	804,770	–	8,192,719
Borrowed money (Note 9):	8,700,000	20,700,000	88,567,647
Borrowings	8,700,000	20,700,000	88,567,647
Foreign exchanges (Note 3)	102	327	1,042
Other liabilities (Note 10)	1,182,240	1,496,986	12,035,429
Contingent liabilities (Note 11)			
Reserve for employees' bonuses	6,542	6,227	66,600
Reserve for employees' retirement benefits (Note 23)	127,584	124,932	1,298,839
Reserve for directors' retirement benefits	141	45	1,436
Total liabilities	188,301,222	204,072,327	1,916,942,096
Net assets (Note 16)			
Common stock	3,500,000	3,500,000	35,630,663
Capital surplus	4,296,285	4,296,285	43,737,005
Retained earnings	413,140	206,577	4,205,845
Total shareholder's equity	8,209,426	8,002,862	83,573,512
Net unrealized gains (losses) on available-for-sale securities (Note 20)	(16,877)	73,992	(171,811)
Unrealized gains (losses) on hedging derivatives	(12,974)	–	(132,083)
Total valuation and translation adjustments	(29,851)	73,992	(303,894)
Total net assets	8,179,574	8,076,855	83,269,618
Total liabilities and net assets	¥ 196,480,796	¥ 212,149,182	$ 2,000,211,714

Statements of Income

For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Revenues:			
Interest income:	¥ 2,309,926	¥ 1,265,087	$ 23,515,490
Interest on loans	45,185	22,847	460,001
Interest and dividends on securities	1,940,865	936,981	19,758,376
Interest on call loans	14,333	5,993	145,918
Interest on receivables under resale agreements	2,366	297	24,089
Interest on receivables under securities borrowing transactions	28,589	15,767	291,045
Interest on deposits with banks	23,288	9,222	237,080
Other interest income	255,297	273,977	2,598,982
Fees and commissions:	112,334	59,556	1,143,587
Fees and commissions on domestic and foreign exchanges	66,592	35,296	677,920
Other fees and commissions	45,742	24,259	465,668
Other operating income (Note 12)	53,791	703	547,604
Other income (Note 13)	12,965	3,716	131,988
Total income	2,489,017	1,329,063	25,338,670
Expenses:			
Interest expenses:	657,022	394,863	6,688,610
Interest on deposits	373,863	181,412	3,805,999
Interest on payables under securities lending transactions	25,878	15,536	263,450
Interest on borrowings	255,091	197,357	2,596,875
Interest on interest rate swaps	1,591	–	16,201
Other interest expenses	597	557	6,084
Fees and commissions:	21,238	9,704	216,208
Fees and commissions on domestic and foreign exchanges	297	37	3,026
Other fees and commissions	20,940	9,666	213,182
Other operating expenses (Note 14)	53,452	1,218	544,155
General and administrative expenses	1,266,205	617,787	12,890,214
Other expenses (Note 15)	106,885	49,649	1,088,115
Total expenses	2,104,803	1,073,222	21,427,303
Income before income taxes	384,213	255,840	3,911,367
Income taxes (Note 24)**:**			
Current	192,604	132,277	1,960,751
Deferred	(37,754)	(28,617)	(384,343)
Total income taxes	154,850	103,659	1,576,408
Net income	¥ 229,363	¥ 152,180	$ 2,334,960

	Yen		U.S. dollars (Note 1)
	2009	2008	2009
Net income per share (Note 27)	¥1,529.08	¥ 2,026.89	$15.57

See notes to financial statements.

Statements of Changes in Net Assets

For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Common stock:			
Balance at beginning of year	¥ 3,500,000	¥ 50	$ 35,630,663
Issuance of new stock	–	3,499,950	–
Balance at end of year	¥ 3,500,000	¥ 3,500,000	$ 35,630,663
Capital surplus:			
Balance at beginning of year	¥ 4,296,285	¥ 50	$ 43,737,005
Issuance of new stock	–	4,296,235	–
Balance at end of year	¥ 4,296,285	¥ 4,296,285	$ 43,737,005
Retained earnings:			
Balance at beginning of year	¥ 206,577	¥ (21)	$ 2,102,993
Tax effect (deferred) due to privatization	–	54,418	–
Cash dividends	(22,800)	–	(232,108)
Net income	229,363	152,180	2,334,960
Balance at end of year	¥ 413,140	¥ 206,577	$ 4,205,845
Total shareholder's equity:			
Balance at beginning of year	¥ 8,002,862	¥ 78	$ 81,470,660
Issuance of new stock	–	7,796,185	–
Tax effect (deferred) due to privatization	–	54,418	–
Cash dividends	(22,800)	–	(232,108)
Net income	229,363	152,180	2,334,960
Balance at end of year	¥ 8,209,426	¥ 8,002,862	$ 83,573,512
Net unrealized gains (losses) on available-for-sale securities			
Balance at beginning of year	¥ 73,992	–	$ 753,262
Net changes in items other than shareholder's equity	(90,869)	¥ 73,992	(925,073)
Balance at end of year	¥ (16,877)	¥ 73,992	$ (171,811)
Unrealized gains (losses) on hedging derivatives			
Balance at beginning of year	–	–	–
Net changes in items other than shareholder's equity	¥ (12,974)	–	(132,083)
Balance at end of year	¥ (12,974)	–	$ (132,083)
Total valuation and translation adjustments			
Balance at beginning of year	¥ 73,992	–	$ 753,262
Net changes in items other than shareholder's equity	(103,844)	¥ 73,992	(1,057,156)
Balance at end of year	¥ (29,851)	¥ 73,992	$ (303,894)
Total net assets:			
Balance at beginning of year	¥ 8,076,855	¥ 78	$ 82,223,923
Issuance of new stock	–	7,796,185	–
Tax effect (deferred) due to privatization	–	54,418	–
Cash dividends	(22,800)	–	(232,108)
Net income	229,363	152,180	2,334,960
Net changes in items other than shareholder's equity	(103,844)	73,992	(1,057,156)
Balance at end of year	¥ 8,179,574	¥ 8,076,855	$ 83,269,618

See notes to financial statements.

Statement of Cash Flows

For the year ended March 31, 2009

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2009	2009
Cash flows from operating activities:		
Income before income taxes	¥ 384,213	$ 3,911,367
Adjustments for:		
Depreciation and amortization	54,797	557,846
Losses on impairment of fixed assets	63	642
Net change in reserve for possible loan losses	(422)	(4,302)
Net change in reserve for employees' bonuses	314	3,206
Net change in reserve for employees' retirement benefits	2,652	27,000
Net change in reserve for directors' retirement benefits	95	969
Interest income	(2,309,926)	(23,515,490)
Interest expense	657,022	6,688,610
Net securities gains	(151)	(1,543)
Gains on money held in trust—net	100,200	1,020,062
Losses on foreign exchanges—net	292	2,977
Losses on sale and disposal of fixed assets—net	1,432	14,579
Net change in loans	(260,128)	(2,648,157)
Net change in deposits	(4,263,966)	(43,407,991)
Proceeds from maturity of deposits to the fiscal loan fund	12,000,000	122,162,272
Net change in borrowed money	(12,000,000)	(122,162,272)
Net change in negotiable certificates of deposit	514,000	5,232,617
Net change in call loans	3,708,044	37,748,592
Net change in receivables under securities borrowing transactions	(725,786)	(7,388,640)
Net change in payables under securities lending transactions	804,770	8,192,719
Net change in foreign exchange assets	3,581	36,456
Net change in foreign exchange liabilities	(225)	(2,291)
Interest received	2,387,231	24,302,473
Interest paid	(744,332)	(7,577,442)
Other—net	(26,452)	(269,289)
Subtotal	287,319	2,924,971
Income taxes paid	(230,841)	(2,350,013)
Net cash provided by operating activities	56,478	574,958
Cash flows from investing activities:		
Purchases of securities	(66,091,066)	(672,819,569)
Proceeds from sales of securities	13,095,782	133,317,545
Proceeds from maturity of securities	51,684,625	526,159,277
Investment in money held in trust	(1,029,778)	(10,483,335)
Proceeds from disposition of money held in trust	25,300	257,559
Purchases of tangible fixed assets	(31,692)	(322,633)
Proceeds from sales of tangible fixed assets	436	4,445
Purchases of intangible fixed assets	(9,631)	(98,052)
Proceeds from sales of intangible fixed assets	120	1,232
Other—net	(291)	(2,966)
Net cash used in investing activities	(2,356,193)	(23,986,496)
Cash flows from financing activities:		
Cash dividends paid	(22,800)	(232,108)
Net cash used in financing activities	(22,800)	(232,108)
Effect of exchange rate changes on cash and cash equivalents	575	5,861
Net decrease in cash and cash equivalents	(2,321,939)	(23,637,786)
Cash and cash equivalents at beginning of year	5,021,055	51,115,299
Cash and cash equivalents at end of year	¥ 2,699,116	$ 27,477,513

See notes to financial statements.

Notes to Financial Statements

Years ended March 31, 2009 and 2008

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

The Bank has no subsidiaries to consolidate.

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

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

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

The financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to US$1.00, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the financial statements have been rounded up to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(4) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, reported in a separate component of net assets.

Available-for-sale securities whose fair value is not available are reported at cost or amortized cost determined by the moving-average method. In addition, the costs of available-for-sale securities sold are determined primarily based on the moving-average method.

Securities (stocks) invested in money held in trust, which is solely entrusted by the Bank for security trading purposes, 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 losses on these securities are reported, net of applicable income taxes, in a separate component of net assets.

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

c. ***Intangible Fixed Assets***—The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of 5 years.

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

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

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

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

The asset evaluation department assesses all loans in accordance with the self-assessment rule in cooperation with the marketing related divisions.

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

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

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

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

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

Hedging against interest rate risks:

For the fiscal year ended March 31, 2009, the Bank used interest rate swaps to reduce its exposure to interest rate risk on its monetary assets and liabilities. In principle, the Bank applied the deferred-hedge accounting method for interest rate swaps. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria were not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income. For some financial assets and liabilities, the Bank applied special accounting treatment for interest rate swaps.

For the fiscal year ended March 31, 2008, the Bank applied special accounting treatment for interest rate swaps for some financial assets and liabilities.

Hedging against foreign exchange fluctuation risks:

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

The Bank specifies hedges in such a way that major conditions of hedged items and hedging instruments are almost the same, and accordingly, considers that hedges are highly effective instead of making judgments on effectiveness.

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

k. ***Income Taxes***— The Bank adopts the consolidated taxation system designating Japan Post Holdings Co., Ltd. as the parent company.

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

3. FOREIGN EXCHANGES

Foreign exchanges at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Assets			
Due from foreign banks	**¥ 9,814**	¥13,362	**$ 99,912**
Foreign bills bought and foreign exchanges purchased	**58**	90	**593**
Total	**¥ 9,872**	¥13,453	**$ 100,505**
Liabilities			
Foreign bills sold	**¥ 37**	¥ 227	**$ 381**
Foreign bills payable	**64**	100	**661**
Total	**¥ 102**	¥ 327	**$ 1,042**

4. OTHER ASSETS

Other assets at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Domestic exchange settlement accounts-debit	**¥ 12,999**	¥ 14,748	**$ 132,340**
Prepaid expenses	**200**	423	**2,038**
Accrued income	**331,348**	333,950	**3,373,186**
Derivatives other than that for trading	**271**	26	**2,759**
Deposits to the fiscal loan fund	**8,700,000**	20,700,000	**88,567,647**
Other	**1,435,816**	1,465,090	**14,616,885**
Total	**¥10,480,635**	¥ 22,514,239	**$106,694,856**

5. TANGIBLE FIXED ASSETS

Tangible fixed assets at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Land	**¥ 27,121**	¥ 27,121	**$ 276,100**
Buildings	**75,862**	80,470	**772,299**
Construction in progress	**52**	44	**531**
Other	**67,355**	78,833	**685,697**
Total	**¥ 170,392**	¥186,469	**$1,734,627**

6. INTANGIBLE FIXED ASSETS

Intangible fixed assets at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Software	¥29,192	¥22,652	$297,185
Other	394	4,454	4,016
Total	¥29,586	¥27,106	$301,201

7. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and their relevant liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Assets pledged as collateral:			
Securities	¥76,643,404	¥113,317,421	$780,244,370
Relevant liabilities to the above assets:			
Deposits	76,852,848	109,535,882	782,376,554
Payables under securities lending transactions	804,770	–	8,192,719

Additionally, securities at March 31, 2009 and 2008 amounting to ¥3,081,318 million ($31,368,406 thousand) and ¥1,361,157 million, respectively, are pledged as collateral for transactions such as BOJ overdrafts, exchange settlement transactions, or substitute securities for derivatives.

At March 31, 2009 and 2008, guarantee deposits amounting to ¥834 million ($8,491 thousand) and ¥432 million, respectively, are included in "Other assets" in the accompanying balance sheets.

8. DEPOSITS

Deposits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Transfer deposits	¥ 7,269,971	¥ 7,500,480	$ 74,009,681
Ordinary deposits	46,109,765	48,243,513	469,406,143
Savings deposits	466,585	511,045	4,749,924
Time deposits	17,408,597	5,798,826	177,222,820
Special deposits*	76,835,303	109,519,634	782,197,934
TEIGAKU deposits	29,058,902	9,796,566	295,825,133
Other deposits	330,715	373,739	3,366,747
Total	¥177,479,840	¥181,743,807	$1,806,778,383

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

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

9. BORROWED MONEY

Borrowed money at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Borrowings from the Ministry of Finance due November 2010, with annual weighted average interest rate of 1.88%	¥8,700,000	¥20,700,000	$88,567,647
Total	¥8,700,000	¥20,700,000	$88,567,647

Annual maturities of borrowed money at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2009	2008	2009
One year or less	¥6,700,000	¥12,000,000	$68,207,269
> One and ≤ two years	2,000,000	6,700,000	20,360,379
> Two and ≤ three years	–	2,000,000	–
Total	¥8,700,000	¥20,700,000	$88,567,647

10. OTHER LIABILITIES

Other liabilities at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Domestic exchange settlement accounts-credit	¥ 20,177	¥ 22,451	$ 205,406
Income taxes payable	42,313	43,457	430,758
Accrued expenses	792,908	867,260	8,071,962
Unearned income	22	12	234
Derivatives other than that for trading	23,304	120	237,241
Other	303,513	563,684	3,089,829
Total	¥1,182,240	¥1,496,986	$12,035,429

11. CONTINGENT LIABILITIES

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

	Millions of yen	Thousands of U.S. dollars
One year or less	¥ 38,888	$ 395,894
Over one year	89,202	908,094
Total	¥128,090	$1,303,988

The Bank had to establish an integrated information processing system for the Japan Post Group. Japan Post Holdings has signed contracts for the outsourcing of the provision of communications services for the fourth-generation system for business operations and for the outsourcing of the provision of communications services for the fourth-generation system for management information. As at March 31, 2008, payments under the provisions of these long-term contracts were ¥51,063 million.

12. OTHER OPERATING INCOME

Other operating income for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Gain on sales of bonds including government bonds	¥53,067	¥366	$540,236
Other	723	336	7,368
Total	¥53,791	¥703	$547,604

13. OTHER INCOME

Other income for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Reversal of reserve for possible loan losses	¥ 417	–	$ 4,254
Recoveries of written-off loans	47	¥ 159	481
Other	12,500	3,557	127,253
Total	¥12,965	¥3,716	$131,988

14. OTHER OPERATING EXPENSES

Other operating expenses for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Losses on foreign exchanges	¥ 536	¥1,214	$ 5,462
Losses on sales of bonds including government bonds and redemption of bonds including government bonds	52,915	3	538,692
Total	¥53,452	¥1,218	$544,155

15. OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Provision for reserve for possible loan losses	–	¥ 495	–
Write-off of loans	–	12	–
Losses on money held in trust	¥100,200	14,905	$1,020,062
Losses on sales and disposal of fixed assets	1,432	489	14,579
Losses on impairment of fixed assets	63	1	642
Other	5,189	33,745	52,832
Total	¥106,885	¥49,649	$1,088,115

16. SHAREHOLDER'S EQUITY

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

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

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

Type and number of outstanding shares issued for the fiscal years ended March 31, 2009 and 2008 were as follows:

	Thousand shares			
	2009			
Type of shares	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	150,000	–	–	150,000

	Thousand shares			
	2008			
Type of shares	March 31, 2007	Increase	Decrease	March 31, 2008
Common stock	2	149,998	–	150,000

Note: The increase in stock is attributed mainly to the issuance of new shares for the incorporation of the Bank.

Dividends distributed during the fiscal year ended March 31, 2009

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends (Thousands of U.S. dollars)	Cash dividends per share (yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date
May 29, 2008	Common stock	¥22,800	$232,108	¥152	$1.55	March 31, 2008	May 30, 2008

Dividends distributed during the fiscal year ended March 31, 2008

There were no dividends distributed during the fiscal year ended March 31, 2008.

Of dividends whose record date was included in the fiscal years ended March 31, 2009 and 2008, those whose effective date occurs after the fiscal year's closing

2009							
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends (Thousands of U.S. dollars)	Cash dividends per share (yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date
May 20, 2009	Common stock	¥57,300	$583,325	¥382	$3.89	March 31, 2009	May 21, 2009

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

The Bank on October 1, 2007 received investment in kind from Japan Post in accordance with the plan for assumption of business under Paragraph 1, Article 166 of the Postal Service Privatization Law, pursuant to Paragraph 3, Article 96 of the Postal Service Privatization Law. A summary of investment in kind is as follows:

	Millions of yen
Assets	¥223,376,491
Liabilities	¥215,879,249
Net assets	7,497,241

17. CASH AND CASH EQUIVALENTS

The reconciliation between cash and cash equivalents in the statement of cash flows and cash and due from banks in the balance sheet at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and due from banks	¥ 5,999,116	¥ 8,835,055	$ 61,072,138
Due from banks, excluding negotiable certificates of deposit in other banks	(3,300,000)	(3,814,000)	(33,594,625)
Cash and cash equivalents	¥ 2,699,116	¥ 5,021,055	$ 27,477,513

18. LEASES

Operating lease transactions:

Future lease payments on noncancelable operating leases at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 508	$ 5,175
Due over one year	1,086	11,057
Total	¥1,594	$16,232

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19. SECURITIES

For the fiscal year ended March 31, 2009, the Bank had the rights to sell or pledge without restriction for securities held amounting to ¥727,271 million ($7,403,763 thousand) among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) as well as those purchased under resale agreements and those borrowed with cash collateral under securities lending agreements.

For the fiscal year ended March 31, 2008, Japanese Government Bonds included ¥1,171,519 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 of securities was held in hand as of the balance sheet date.

20. FAIR VALUE INFORMATION FOR SECURITIES

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

a. Trading account securities:

Net unrealized gains on trading account securities for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Amount on the balance sheet	Net unrealized gains	Amount on the balance sheet	Net unrealized gains	Amount on the balance sheet	Net unrealized gains
Trading account securities	¥159	–	¥172	–	$1,623	–

b. Held-to-maturity securities whose fair value is available:

Held-to-maturity securities whose fair value is available at March 31, 2009 and 2008 consisted of the following:

	Millions of yen			
	2009			
	Amount on the balance sheet	Unrealized gains	Unrealized losses	Fair value
Japanese Government Bonds	¥123,534,320	¥2,343,773	¥47,000	¥125,831,093
Japanese local government bonds	5,279,006	78,553	1,598	5,355,960
Japanese corporate bonds	5,552,480	75,535	1,701	5,626,314
Total	¥134,365,807	¥2,497,861	¥50,300	¥136,813,368

	Millions of yen			
	2008			
	Amount on the balance sheet	Unrealized gains	Unrealized losses	Fair value
Japanese Government Bonds	¥129,548,188	¥2,417,521	¥53,122	¥131,912,587
Japanese local government bonds	7,232,314	121,480	2,611	7,351,184
Japanese corporate bonds	4,387,181	70,562	1,523	4,456,220
Total	¥141,167,684	¥2,609,565	¥57,258	¥143,719,991

	Thousands of U.S. dollars			
	2009			
	Amount on the balance sheet	Unrealized gains	Unrealized losses	Fair value
Japanese Government Bonds	$1,257,602,773	$23,860,060	$478,474	$1,280,984,359
Japanese local government bonds	53,741,285	799,685	16,277	54,524,693
Japanese corporate bonds	56,525,301	768,962	17,318	57,276,945
Total	$1,367,869,359	$25,428,707	$512,069	$1,392,785,997

Note: Fair value is determined based on the market price at the balance sheet date.

c. Investments in subsidiaries and affiliates whose fair value is available

For the fiscal year ended March 31, 2009, there were no investments in affiliates whose fair value is available. Cost of investment in affiliates amounted to ¥900 million ($9,162 thousand) at March 31, 2009.

For the fiscal year ended March 31, 2008, there were no investments in affiliates whose fair value is available.

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

Available-for-sale securities whose fair value is available at March 31, 2009 and 2008 consisted of the following:

	Millions of yen			
	2009			
	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Debt securities:	¥36,988,754	¥276,609	¥ 83,340	¥37,182,023
Japanese Government Bonds	31,790,638	236,899	71,702	31,955,835
Japanese local government bonds	889,016	9,905	715	898,206
Japanese corporate bonds	4,309,099	29,804	10,921	4,327,982
Other securities (mainly foreign bonds)	1,553,501	9,357	36,946	1,525,912
Total	¥38,542,255	¥285,967	¥120,287	¥38,707,936

	Millions of yen			
	2008			
	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Debt securities:	¥30,670,692	¥274,542	¥38,815	¥30,906,419
Japanese Government Bonds	27,026,090	237,085	38,206	27,224,969
Japanese local government bonds	263,195	3,761	23	266,932
Japanese corporate bonds	3,381,406	33,695	585	3,414,517
Other securities (mainly foreign bonds)	487,266	2,641	10,986	478,921
Total	¥31,157,958	¥277,183	¥49,801	¥31,385,340

	Thousands of U.S. dollars			
	2009			
	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Debt securities:	$376,552,523	$2,815,941	$ 848,424	$378,520,041
Japanese Government Bonds	323,634,723	2,411,683	729,949	325,316,457
Japanese local government bonds	9,050,355	100,841	7,289	9,143,907
Japanese corporate bonds	43,867,445	303,417	111,186	44,059,677
Other securities (mainly foreign bonds)	15,814,939	95,263	376,123	15,534,079
Total	$392,367,463	$2,911,205	$1,224,547	$394,054,120

Note: The amounts on the balance sheets of the above securities are determined using the market price at the balance sheet date.

e. Held-to-maturity securities

Held-to-maturity securities sold during the fiscal years ended March 31, 2009 and 2008 consisted of the following:

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

	Millions of yen		
	2008		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	¥4,100,403	¥4,100,544	¥140
Total	¥4,100,403	¥4,100,544	¥140

	Thousands of U.S. dollars		
	2009		
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	$61,483,265	$61,485,970	$2,704
Total	$61,483,265	$61,485,970	$2,704

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

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

f. Available-for-sale securities

Available-for-sale securities sold during the fiscal years ended March 31, 2009 and 2008 consisted of the following:

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

	Millions of yen		
	2008		
	Sales proceeds	Realized gains	Realized losses
Available-for-sale securities	¥732,235	¥366	¥3
Total	¥732,235	¥366	¥3

	Thousands of U.S. dollars		
	2009		
	Sales proceeds	Realized gains	Realized losses
Available-for-sale securities	$71,842,683	$540,236	$538,692
Total	$71,842,683	$540,236	$538,692

g. Securities with no available fair value

Securities with no available fair value at March 31, 2009 and 2008 were as follows:

	Amount on the balance sheet		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Available-for-sale securities:			
Negotiable certificates of deposit	¥3,300,000	¥3,814,000	$33,594,625
Commercial paper	542,904	–	5,526,866
Investment in unconsolidated subsidiaries and affiliates:			
Investments in affiliates	900	–	9,162

h. Scheduled redemption amounts for bonds held-to-maturity and available-for-sale securities with maturity at end of fiscal years

Scheduled redemption amounts for bonds held-to-maturity and available-for-sale securities with maturity at March 31, 2009 and 2008 consisted of the following:

	Millions of yen			
	2009			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities:	¥41,320,145	¥76,937,168	¥50,550,631	¥3,282,790
Japanese Government Bonds	37,801,603	70,105,908	44,970,374	2,612,270
Japanese local government bonds	1,564,228	2,718,315	1,894,669	–
Commercial paper	542,904	–	–	–
Japanese corporate bonds	1,411,409	4,112,944	3,685,587	670,520
Other (mainly foreign bonds)	3,302,069	1,171,408	148,385	29,048
Total	¥44,622,214	¥78,108,576	¥50,699,016	¥3,311,838

	Millions of yen			
	2008			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities:	¥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 (mainly foreign bonds)	3,773,785	365,887	149,549	3,698
Total	¥42,176,678	¥82,003,129	¥49,438,941	¥2,748,275

	Thousands of U.S. dollars			
	2009			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities:	$420,646,901	$783,234,943	$514,614,996	$33,419,427
Japanese Government Bonds	384,827,477	713,691,425	457,806,923	26,593,405
Japanese local government bonds	15,924,138	27,672,962	19,288,093	–
Commercial paper	5,526,866	–	–	–
Japanese corporate bonds	14,368,419	41,870,555	37,519,980	6,826,022
Other (mainly foreign bonds)	33,615,694	11,925,156	1,510,595	295,719
Total	$454,262,595	$795,160,099	$516,125,591	$33,715,146

i. Money held in trust

The Bank did not hold money held in trust for the purpose of trading nor holding to maturity for the fiscal years ended March 31, 2009 and 2008.

Money held in trust at March 31, 2009 and 2008 was as follows:

	Millions of yen			
	2009			
	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Money held in trust classified as:				
Available-for-sale	¥1,418,878	¥6,201	¥200,337	¥1,224,742

	Millions of yen			
	2008			
	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Money held in trust classified as:				
Available-for-sale	¥515,188	¥2,045	¥104,663	¥412,570

	Thousands of U.S. dollars			
	2009			
	Cost	Unrealized gains	Unrealized losses	Amount on the balance sheet
Money held in trust classified as:				
Available-for-sale	$14,444,448	$63,132	$2,039,469	$12,468,111

Notes: 1. The amounts on the balance sheets are stated at the average market price of the final month for the fiscal year for equity securities and at the market price at the balance sheet date for other securities.
2. 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 "losses on impairment of fixed assets") in the year in which they are recognized. The amount of losses on impairment of fixed assets for the fiscal years ended March 31, 2009 and 2008 amounted to ¥56,131 million ($571,428 thousand) and ¥12,240 million, respectively. Securities were judged as impaired when their market values showed a substantial decline from their book value.
The criteria for determining if such decline is significant are as follows:
Securities whose fair value is 50% or less than the acquisition cost, or
Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

j. Unrealized gains (losses) on available-for-sale securities:

Unrealized gains (losses) on available-for-sale securities for the fiscal years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Valuation differences:	¥ (28,455)	¥124,763	$ (289,680)
Available-for-sale securities	165,680	227,382	1,686,657
Available-for-sale money held in trust	(194,135)	(102,618)	(1,976,337)
Deferred tax assets (liabilities)	11,578	(50,770)	117,868
Unrealized gains (losses) on available-for-sale securities	¥ (16,877)	¥ 73,992	$ (171,811)

21. DERIVATIVES

1. Details of derivative transactions

a. Derivative instruments

Derivative instruments which the Bank is utilizing include the following:

Interest rate related instruments: Interest rate swaps

Currency related instruments: foreign exchange forward contracts

b. Purposes and policies of using derivatives

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

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

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

c. Nature of risk

Derivatives involve principally market risk and credit risk.

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

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

d. Risk control system

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

2. Market value of derivative transactions

(1) Interest rate related instruments: None

The Bank does not disclose derivatives transactions to which hedge accounting is applied.

(2) Currency related instruments:

The Bank had the following derivatives transactions outstanding at March 31, 2009 and 2008:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			2009		
	Contract or notional amount	Fair value	Unrealized gains (losses)	Contract or notional amount	Fair value	Unrealized gains (losses)	Contract or notional amount	Fair value	Unrealized gains (losses)
Currency-related transaction: Over-the-counter:									
Foreign exchange forward contracts-bought	¥1,890	¥20	¥20	¥8,424	¥(93)	¥(93)	$19,245	$204	$204

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to revenues or expenses in the statements of income. Transactions, for which hedge accounting is applied have been excluded from the above table.
2. The fair value is determined using the discounted value of future cash flows.

(3) Equity related derivatives: None as at March 31, 2009 and 2008

(4) Bond related derivatives: None as at March 31, 2009 and 2008

(5) Commodity related derivatives: None as at March 31, 2009 and 2008

(6) Credit derivatives: None as at March 31, 2009 and 2008

22. LOANS

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

The amount of participation principals of loan participations accounted for as loans due from the original debtors in accordance with the Accounting System Committee Report No. 3 issued by the Japan Institute of Certified Public Accountants on June 1, 1995 is ¥98,786 million ($1,005,663 thousand) in the accompanying balance sheet at March 31, 2009.

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

The unused commitment balance relating to these loan agreements at March 31, 2009 amounted ¥26,200 million ($266,721 thousand). Of this amount, ¥26,200 million ($266,721 thousand) related to loans in which the term of the agreement was less than one year or unconditional cancellation of the agreement was allowed at any time.

The unused commitment balance relating to these loan agreements at March 31, 2008 totaled ¥1,000 million. Of this amount, ¥1,000 million related to loans in which the term of agreement was less than one year or unconditional cancellation of the agreement was allowed at any time.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows. Conditions are included in certain loan agreements 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. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank established internal procedures and takes necessary measures to protect its credit.

23. RESERVE FOR RETIREMENT BENEFITS

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

Reserve for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥ (124,752)	¥ (124,361)	$ (1,270,003)
Unfunded projected benefit obligation	(124,752)	(124,361)	(1,270,003)
Unrecognized net actuarial losses	(2,832)	(571)	(28,836)
Net amount recorded on the balance sheets	(127,584)	(124,932)	(1,298,839)
Reserve for employees' retirement benefits	¥ (127,584)	¥ (124,932)	$ (1,298,839)

The breakdown of total retirement benefit costs for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥5,922	¥3,019	$60,295
Interest cost on projected benefit obligation	2,117	1,082	21,555
Amortization of unrecognized net actuarial losses	(57)	–	(582)
Other	–	215	–
Total retirement benefit costs	¥7,982	¥4,318	$81,268

Assumptions used in the calculation of the above information for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Discount rate	1.7%	1.7%
Amortization period of unrecognized actuarial losses	10 years	10 years

24. INCOME TAXES

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

The Bank is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.69% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Reserve for possible loan losses	¥ 442	¥ 614	$ 4,506
Reserve for employees' retirement benefits	51,913	50,839	528,487
Accumulated depreciation	20,847	9,781	212,229
Accrued interest on deposits	22,265	–	226,668
Impairment losses of money held in trust	11,764	–	119,763
Net unrealized losses on available-for-sale securities	11,578	–	117,868
Other	26,213	23,171	266,863
Total deferred tax assets	145,025	84,407	1,476,384
Deferred tax liabilities:			
Unrealized gains (losses) on available-for-sale securities	–	50,770	–
Other	–	1,367	–
Total deferred tax liabilities	3,751	52,138	38,192
Net deferred tax assets	¥141,273	¥ 32,269	$1,438,191

For the fiscal years ended March 31, 2009 and 2008, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

25. EQUITY EARNINGS OF AFFILIATES

The details for the fiscal year ended March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Investment in unconsolidated subsidiaries and affiliates:		
Investments in affiliates	¥900	$9,162
Investments, if equity method is adopted for accounting	791	8,053
Investment losses, if equity method is adopted for accounting	108	1,109

The Bank recorded no equity earnings of affiliates for the fiscal year ended March 31, 2008.

26. RELATED PARTY TRANSACTIONS

1. Transactions with related parties

a. Transactions between the Bank and related parties for the years ended March 31, 2009 and 2008 were as follows:

For the year ended March 31, 2009

Japan Post Holdings Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Company's shares are owned.
Capital	¥3,500,000 million
Nature of transactions	Concurrent holding of positions by executive management directors
Details of transactions	Payments of grants*
Transaction amount	¥97,732 million ($994,939 thousand)
Account	–
Outstanding balance at end of fiscal year	–

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

For the year ended March 31, 2008

Japan Post Holdings Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Company's shares are owned.
Capital	¥3,500,000 million
Nature of transactions	Concurrent holding of positions by executive management directors
Details of transactions	Subscription to capital increase* Payments of grants**
Transaction amount	¥298,944 million 51,185 million
Account	–
Outstanding balance at end of fiscal year	–

* The Bank received investment-in-kind (securities (JGBs)).
** Payment is made pursuant to Article 122 of the Postal Service Privatization Law.

b. Transactions between the Bank and unconsolidated subsidiaries or affiliates:

None for the fiscal years ended March 31, 2009 and 2008

c. Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates for the years ended March 31, 2009 and 2008 were as follows:

For the year ended March 31, 2009

Japan Post Network Co., Ltd. (Subsidiary of Parent company)

Ownership of voting rights held	Nil		
Capital	¥100,000 million		
Nature of transactions	Consignment of banking agency operations and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to banking agency operations	
Transaction amount	¥648,147 million ($6,598,264 thousand)	¥1,380,712 million ($14,055,913 thousand)	–
Account	Other liabilities	Other assets**	Other assets***
Outstanding balance at end of fiscal year	¥54,826 million ($558,143 thousand)	¥1,340,000 million ($13,641,454 thousand)	¥38,443 million ($391,359 thousand)

For the year ended March 31, 2008

Japan Post Network Co., Ltd. (Subsidiary of Parent company)

Ownership of voting rights held	Nil		
Capital	¥100,000 million		
Nature of transactions	Consignment of banking agency operations and Concurrent holding of positions by executive management directors		
Details of transactions	Payment of consignment fees*	Receipt and payment of funds related to banking agency operations	
Transaction amount	¥301,046 million	¥1,563,387 million	–
Account	Other liabilities	Other liabilities**	Other assets***
Outstanding balance at end of fiscal year	¥53,473 million	¥1,440,000 million	¥42,469 million

* The figures are determined based on the total costs incurred in connection with the services provided by the service outsourcing companies.
** The figures represent advance payments of funds necessary for delivery of deposits based on the banking agency service agreement. The transaction amounts are presented on an average balance basis for the fiscal years ended March 31, 2009 and 2008.
*** The figures represent the unsettled amount between the Bank and Japan Post Network Co., Ltd. in connection with receipt/payment operations with customers based on the banking agency service agreement. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.
Note: Transaction amounts are exclusive of consumption and other taxes. Year-end balances include consumption and other taxes.

d. Receivables from and payables due to directors and/or executive officers

None

2. Notes related to the parent company and/or significant affiliates

a. Information on the parent company

Japan Post Holdings Co., Ltd.

b. Information on significant affiliates

None

MD&A

Financial Statements

Financial Data

27. PER SHARE DATA

Net assets per share at March 31, 2009 and 2008 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2009	2008	**2009**
Net assets per share	**¥54,530.49**	¥53,845.70	**$555.13**
Net income per share	**1,529.08**	2,026.89	**15.57**

Net assets per share for the fiscal years ended March 31, 2009 and 2008 was calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Net assets	**¥8,179,574**	¥8,076,855	**$83,269,618**
Net assets attributable to common stock at the end of the fiscal year	**8,179,574**	8,076,855	**83,269,618**
Number of common stock at the fiscal year-end used for the calculation of net assets per share (thousand shares)	**150,000**	150,000	**150,000**

Net income per share data for the fiscal years ended March 31, 2009 and 2008 was calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Net income	**¥229,363**	¥152,180	**$2,334,960**
Net income attributable to common stock	**229,363**	152,180	**2,334,960**
Average number of common stock outstanding during the fiscal year (thousand shares)	**150,000**	75,080	**150,000**

Notes: 1. Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2009 and 2008.
2. Net income per share for the fiscal year ended March 31, 2008 (from October 1, 2007 through March 31, 2008) was ¥1,019.41 based on the average number of common shares outstanding.

28. SUBSEQUENT EVENT

None

Independent Auditors' Report

To the Board of Directors of
Japan Post Bank Co., Ltd.:

We have audited the accompanying balance sheets of Japan Post Bank Co., Ltd. (the "Bank") as of March 31, 2009 and 2008, and the related statements of income and changes in net assets for the years then ended and the related statement of cash flows for the year ended March 31, 2009, expressed in Japanese yen. These financial statements are the responsibility of the Bank's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2009 and 2008, and the results of its operations for the years then ended and its cash flows for the year ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2009

Key Financial Indicators

Key Financial Indicators

Years ended March 31

	Millions of yen, %		Thousands of U.S. dollars
	2009	2008	2009
Revenues	¥ 2,488,552	¥ 1,328,904	$ 25,333,935
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	480,602	302,859	4,892,623
Net operating profit	480,602	301,945	4,892,623
Net ordinary income	385,243	256,171	3,921,854
Net income	229,363	152,180	2,334,960
Common stock	3,500,000	3,500,000	35,630,663
Shares outstanding (thousand shares)	150,000	150,000	150,000
Net assets	8,179,574	8,076,855	83,269,618
Total assets	196,480,796	212,149,182	2,000,211,714
Deposits	177,479,840	181,743,807	1,806,778,383
Loans	4,031,587	3,771,527	41,042,326
Securities	173,551,137	172,532,116	1,766,783,447
Capital adequacy ratio (non-consolidated, domestic standard)	92.09	85.90	
Dividend payout ratio	24.98	14.98	
Employees	11,675	11,201	

Notes: 1. Earnings for the fiscal year ended March 31, 2008 essentially reflect banking operations for the six-month period following the Bank's incorporation on October 1, 2007. In addition, gains and losses (including a net loss of ¥731 million) of the preparatory planning company for privatization during the first half of the fiscal period have been included.

2. The capital adequacy ratio is calculated based on standards stipulated by Article 14-2 of the Banking Law (Financial Services Agency Notification No. 19, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments. The Bank adheres to capital adequacy standards applicable in Japan.

3. The number of employees excludes Japan Post Bank employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include short-term contract and part-time employees.

Earnings

Income Analysis

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Gross operating profit:	¥ 1,746,765	¥ 920,548	$ 17,782,401
(Excluding gains (losses) on bonds)	1,746,613	920,185	17,780,858
Interest income	1,655,330	871,211	16,851,573
Fees and commissions	91,096	49,852	927,379
Trading gains	–	–	–
Other operating income (loss)	338	(515)	3,449
(Gains (losses) on bonds)	151	362	1,543
General and administrative expenses (excluding non-recurring losses):	(1,266,162)	(617,738)	(12,889,778)
Personnel expenses	(109,562)	(53,567)	(1,115,367)
Non-personnel expenses	(1,082,643)	(519,392)	(11,021,518)
Taxes and dues	(73,956)	(44,778)	(752,893)
Operating profit (before provision for (reversal of) general reserve for possible loan losses)	480,602	302,859	4,892,623
(Excluding gains (losses) on bonds)	480,450	302,497	4,891,080
Provision for general reserve for possible loan losses	–	(914)	–
Net operating profit:	480,602	301,945	4,892,623
Gains (losses) on bonds	151	362	1,543
Non-recurring gains (losses):	(95,358)	(45,773)	(970,770)
Gains (losses) on money held in trust	(100,200)	(14,905)	(1,020,062)
Other non-recurring gains (losses)	4,842	(30,867)	49,293
Net ordinary income	385,243	256,171	3,921,854
Extraordinary income (loss):	(1,030)	(331)	(10,486)
Gains (losses) on sales and disposal of fixed assets	(1,432)	(489)	(14,579)
Losses on impairment of fixed assets	(63)	(1)	(642)
Reversal of reserve for possible loan losses	417	–	4,254
Recoveries of written-off loans	47	159	481
Income before income taxes	384,213	255,840	3,911,367
Income taxes - current	(192,604)	(132,277)	(1,960,751)
Income taxes - deferred	37,754	28,617	384,343
Net income	229,363	152,180	2,334,960
Credit-related expenses:	(103)	(8)	(1,058)
Provision for general reserve for possible loan losses	(103)	(8)	(1,058)
Write-off of loans	–	–	–
Provision for specific reserve for possible loan losses	–	–	–
Recoveries of written-off loans	–	–	–

Notes: 1. Gross operating profit for the fiscal year ended March 31, 2008 is based on the six-month period from October 1, 2007 to March 31, 2008.

2. The figures for general and administrative expenses, operating profit (before provision for (reversal of) general reserve for possible loan losses), net operating profit, net ordinary income, extraordinary income (loss), and net income for the fiscal year ended March 31, 2008 essentially reflect banking operations for the six-month period following the Bank's incorporation on October 1, 2007. In addition, profits and losses (including a net loss of ¥731 million) of the preparatory planning company for privatization during the first half of the fiscal period have been included.

3. Employees' retirement benefits (non-recurring costs) and other items have been excluded from general and administrative expenses in the calculation of "general and administrative expenses (excluding non-recurring losses)" indicated in the above table.

4. Credit-related expenses are expenses related to problem assets disclosed under the Financial Reconstruction Law.

5. Expenses are denoted by parentheses.

Gross Operating Profit and Gross Operating Profit Margin

Years ended March 31

	Millions of yen, %		Thousands of U.S. dollars
	2009	2008	2009
Gross operating profit	¥1,746,765	¥920,548	$17,782,401
Gross operating profit margin	0.86	0.86	

Notes: 1. Gross operating profit = Net interest income + Net fees and commissions + Net other operating income
2. Gross operating profit margin = Gross operating profit / Average balance of interest-earning assets x 100 (annualized rate for the fiscal year ended March 31, 2008)
3. Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Net Interest Income, Net Fees and Commissions, Net Trading Income, and Net Other Operating Income (Loss)

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net interest income:	¥1,655,330	¥ 871,211	$16,851,573
Interest income	2,309,926	1,265,037	23,515,490
Interest expenses	654,596	393,826	6,663,917
Net fees and commissions:	91,096	49,852	927,379
Fees and commissions received	112,334	59,556	1,143,587
Fees and commissions paid	21,238	9,703	216,208
Net trading income:	–	–	–
Trading gains	–	–	–
Trading losses	–	–	–
Net other operating income (loss):	338	(515)	3,449
Other operating income	53,791	703	547,604
Other operating expenses	53,452	1,218	544,155

Notes: 1. Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2009, ¥2,425 million ($24,693 thousand); fiscal year ended March 31, 2008, ¥1,036 million).
2. Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Average Balance, Interest, and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Years ended March 31

	Millions of yen, %		
	2009		
	Average balance	Interest	Earnings yield
Interest-earning assets:	¥201,253,306	¥2,309,926	1.14
Loans	3,820,816	45,185	1.18
Securities	174,294,416	1,940,865	1.11
Deposits (to the fiscal loan fund)	14,606,904	254,746	1.74
Due from banks	7,905,353	40,455	0.51
Interest-bearing liabilities:	193,530,970	654,596	0.33
Deposits	179,573,276	373,863	0.20
Borrowed money	14,606,904	255,091	1.74

	Millions of yen, %		
	2008		
	Average balance	Interest	Earnings yield
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 (to the fiscal loan fund)	31,221,950	273,865	1.75
Due from 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

	Thousands of U.S. dollars, %		
	2009		
	Average balance	Interest	Earnings yield
Interest-earning assets:	$2,048,796,766	$23,515,490	1.14
Loans	38,896,640	460,001	1.18
Securities	1,774,350,161	19,758,376	1.11
Deposits (to the fiscal loan fund)	148,701,050	2,593,369	1.74
Due from banks	80,477,996	411,849	0.51
Interest-bearing liabilities:	1,970,181,927	6,663,917	0.33
Deposits	1,828,089,953	3,805,999	0.20
Borrowed money	148,701,052	2,596,875	1.74

Notes: 1. Income and expenses for money held in trust are included in "other income" and "other expenses," respectively. Accordingly, the average balance of money held in trust (fiscal year ended March 31, 2009, ¥717,120 million ($7,300,425 thousand); fiscal year ended March 31, 2008, ¥546,203 million) is excluded from interest-earning assets, and the average balance of expenses corresponding to money held in trust (fiscal year ended March 31, 2009, ¥717,120 million ($7,300,425 thousand); fiscal year ended March 31, 2008, ¥546,203 million) and the corresponding interest (fiscal year ended March 31, 2009, ¥2,425 million ($24,693 thousand); fiscal year ended March 31, 2008, ¥1,036 million) are excluded from interest-bearing liabilities.
2. Due from banks in the fiscal year ended March 31, 2008 includes negotiable certificates of deposit, call loans, receivables under resale agreements, and monetary claims bought.
3. Due from banks in the fiscal year ended March 31, 2009 includes negotiable certificates of deposit, call loans, receivables under resale agreements, monetary claims bought, and Bank of Japan (BOJ) deposits. The BOJ deposits have been included in due from banks as of the fiscal year ended March 31, 2009 because these deposits bear interest rates under the BOJ's supplementary current account system for smoothing monetary supply.
4. Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.
5. Interest rates for the fiscal year ended March 31, 2008 have been annualized.

Changes in Interest Income and Expenses

Years ended March 31

	Millions of yen		
	2009		
	Volume-related change	Interest-related change	Net change
Interest income:	¥(63,646)	¥1,108,535	¥1,044,888
Loans	(499)	22,837	22,337
Securities	10,273	993,659	1,003,933
Deposits (to the fiscal loan fund)	22,307	(41,427)	(19,119)
Due from banks, etc.	11,787	13,152	24,940
Interest expenses:	(24,424)	285,194	260,770
Deposits	(5,717)	198,168	192,451
Borrowed money	(31,691)	89,425	57,733

	Thousands of U.S. dollars		
	2009		
	Volume-related change	Interest-related change	Net change
Interest income:	$(647,936)	$11,285,100	$10,637,164
Loans	(5,084)	232,489	227,405
Securities	104,589	10,115,639	10,220,228
Deposits (to the fiscal loan fund)	227,097	(421,735)	(194,638)
Due from banks, etc.	120,001	133,894	253,895
Interest expenses:	(248,645)	2,903,335	2,654,690
Deposits	(58,202)	2,017,391	1,959,189
Borrowed money	(322,627)	910,368	587,741

Notes: 1. When changes in balances and in interest rates become material, adjustments are apportioned according to those changes.
2. The changes in interest income and expenses shown for the fiscal year ended March 31, 2009 are in comparison with the fiscal year ended March 31, 2008.
3. Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

General and Administrative Expenses

Years ended March 31

	Millions of yen, %				Thousands of U.S. dollars
	2009		2008		2009
	Amount	%	Amount	%	Amount
Personnel expenses:	¥ 109,605	8.65	¥ 53,616	8.67	$ 1,115,803
Salary and allowances	101,590	8.02	49,510	8.01	1,034,210
Others	8,014	0.63	4,105	0.66	81,593
Non-personnel expenses:	1,082,643	85.50	519,392	84.07	11,021,518
Payments on commissioned services for Japan Post Network Co., Ltd.	648,147	51.18	301,046	48.72	6,598,264
Deposit insurance premiums paid to Japan Post Holdings Co., Ltd. (Note)	97,732	7.71	51,185	8.28	994,939
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	54,768	4.32	25,034	4.05	557,549
Rent for land, buildings and others	10,960	0.86	5,114	0.82	111,582
Expenses on consigned businesses	90,100	7.11	38,283	6.19	917,244
Depreciation and amortization	54,797	4.32	30,908	5.00	557,846
Communication and transportation expenses	23,809	1.88	10,939	1.77	242,384
Maintenance expenses	10,023	0.79	2,320	0.37	102,040
Others	92,303	7.28	54,559	8.83	939,669
Taxes and dues	73,956	5.84	44,778	7.24	752,893
Total	¥1,266,205	100.00	¥617,787	100.00	$12,890,214

Note: The Bank makes payments equivalent to the insurance on time deposits (acquired prior to privatization) to Japan Post Holdings Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Law.

Deposits

Balances by Type of Deposit

As of March 31

		Millions of yen, %				Thousands of U.S. dollars
		2009		2008		2009
		Amount	%	Amount	%	Amount
Domestic operations	Liquid deposits	¥ 59,660,898	33.61	¥ 63,482,363	34.92	$ 607,359,245
	Time deposits	117,488,226	66.19	117,887,704	64.86	1,196,052,391
	Other deposits	330,715	0.18	373,739	0.20	3,366,747
	Subtotal	177,479,840	100.00	181,743,807	100.00	1,806,778,383
	Negotiable certificates of deposit	–	–	–	–	–
	Total	177,479,840	100.00	181,743,807	100.00	1,806,778,383
International operations	Total	–	–	–	–	–
Total		¥177,479,840	–	¥181,743,807	–	$1,806,778,383

Years ended March 31

Average Balances

		Millions of yen, %				Thousands of U.S. dollars
		2009		2008		2009
		Amount	%	Amount	%	Amount
Domestic operations	Liquid deposits	¥ 62,009,526	34.53	¥ 64,155,140	34.56	$ 631,268,722
	Time deposits	117,184,987	65.25	121,094,085	65.23	1,192,965,365
	Other deposits	378,761	0.21	377,268	0.20	3,855,866
	Subtotal	179,573,276	100.00	185,626,493	100.00	1,828,089,953
	Negotiable certificates of deposit	–	–	–	–	–
	Total	179,573,276	100.00	185,626,493	100.00	1,828,089,953
International operations	Total	–	–	–	–	–
Total		¥179,573,276	–	¥185,626,493	–	$1,828,089,953

Note: Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

MD&A

Financial Statements

Financial Data

Time Deposits by Time to Maturity

As of March 31

		Millions of yen		Thousands of U.S. dollars
		2009	2008	2009
Less than three months	Time deposits:	¥ 3,274,184	¥ 2,335,226	$ 33,331,820
	Fixed interest rates	3,274,184	2,335,226	33,331,820
	Floating interest rates	–	–	–
	Other time deposits	–	–	–
≥ Three months < six months	Time deposits:	3,061,672	1,736,696	31,168,405
	Fixed interest rates	3,061,672	1,736,696	31,168,405
	Floating interest rates	–	–	–
	Other time deposits	–	–	–
≥ Six months < one year	Time deposits:	8,626,805	4,209,494	87,822,515
	Fixed interest rates	8,626,805	4,209,494	87,822,515
	Floating interest rates	–	–	–
	Other time deposits	–	–	–
≥ One year < two years	Time deposits:	1,780,532	885,512	18,126,158
	Fixed interest rates	1,780,532	885,512	18,126,158
	Floating interest rates	–	–	–
	Other time deposits	–	–	–
≥ Two years < three years	Time deposits:	967,116	1,600,382	9,845,432
	Fixed interest rates	967,116	1,600,382	9,845,432
	Floating interest rates	–	–	–
	Other time deposits	–	–	–
Three years or more	Time deposits:	988,681	461,836	10,064,967
	Fixed interest rates	988,681	461,836	10,064,967
	Floating interest rates	–	–	–
	Other time deposits	–	–	–
Total	Time deposits:	¥18,698,993	¥11,229,148	$190,359,297
	Fixed interest rates	18,698,993	11,229,148	190,359,297
	Floating interest rates	–	–	–
	Other time deposits	–	–	–

Notes: 1. The above table indicates balances of time deposits and special deposits (equivalent to time savings) based on the remaining time to maturity.
2. Special deposits are due to banks received from Management Organization for Postal Savings and Postal Life Insurance and correspond to the postal savings passed on to that organization by Japan Post.

TEIGAKU Deposits by Time to Maturity

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Less than one year	¥ 3,448,037	¥ 4,546,686	$ 35,101,680
≥ One < three years	23,651,061	22,483,231	240,772,284
≥ Three < five years	9,658,266	21,312,003	98,322,980
≥ Five < seven years	9,034,650	13,227,502	91,974,457
Seven years or more	52,946,595	44,935,274	539,006,371
Total	¥98,738,612	¥106,504,698	$1,005,177,771

Notes: 1. The above table indicates balances of TEIGAKU deposits and Special deposits (equivalent to TEIGAKU savings) based on the remaining time to maturity.
2. Special deposits are due to banks received from Management Organization for Postal Savings and Postal Life Insurance and correspond to the postal savings passed on to that organization by Japan Post.
3. Figures have been calculated based on the assumption that all deposits will be held to maturity.

Loans

Loans by Category

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans on notes	¥ –	¥ –	$ –
Loans on deeds	3,790,537	3,502,875	38,588,390
Overdrafts	241,050	268,651	2,453,936
Notes discounted	–	–	–
Total	¥4,031,587	¥3,771,527	$41,042,326

Years ended March 31

Average Balances	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans on notes	¥ –	¥ –	$ –
Loans on deeds	3,573,023	3,631,550	36,374,059
Overdrafts	247,793	276,688	2,522,581
Notes discounted	–	–	–
Total	¥3,820,816	¥3,908,239	$38,896,640

Note: Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Loans by Time to Maturity

As of March 31

		Millions of yen		Thousands of U.S. dollars
		2009	2008	2009
One year or less	Loans:	¥ 397,720	¥ 296,153	$ 4,048,871
	Floating interest rates			
	Fixed interest rates			
> One and ≤ three years	Loans:	143,289	13,973	1,458,711
	Floating interest rates	100,156	7,141	1,019,617
	Fixed interest rates	43,132	6,831	439,094
> Three and ≤ five years	Loans:	348,813	128,149	3,550,988
	Floating interest rates	138,817	4,581	1,413,186
	Fixed interest rates	209,996	123,568	2,137,802
> Five and ≤ seven years	Loans:	205,474	192,334	2,091,767
	Floating interest rates	16,805	8,300	171,081
	Fixed interest rates	188,669	184,034	1,920,686
> Seven and ≤ ten years	Loans:	1,211,073	905,027	12,328,958
	Floating interest rates	50,000	–	509,009
	Fixed interest rates	1,161,073	905,027	11,819,948
Over ten years	Loans:	1,725,216	2,235,888	17,563,031
	Floating interest rates	–	–	–
	Fixed interest rates	1,725,216	2,235,888	17,563,031
No designated term	Loans:	–	–	–
	Floating interest rates	–	–	–
	Fixed interest rates	–	–	–
Total		¥4,031,587	¥3,771,527	$41,042,326

Notes: 1. Loans to depositors (maturities of two years or less) are treated as having time to maturity of one year or less.
2. Loans with maturities of one year or less have not been categorized into fixed and floating interest rate instruments.

Loans and Acceptances and Guarantees by Type of Collateral

As of March 31

Loans by Type of Collateral

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Securities	¥ 472	¥ 580	$ 4,807
Receivables	65,804	14,545	669,898
Merchandise	–	–	–
Real estate	–	–	–
Others	–	–	–
Sub-total	66,276	15,125	674,704
Guarantees	26,594	–	270,738
Credit	3,938,716	3,756,401	40,096,884
Total	¥4,031,587	¥3,771,527	$41,042,326

Loans by Purpose

As of March 31

	Millions of yen, %				Thousands of U.S. dollars
	2009		2008		2009
	Amount	%	Amount	%	Amount
Funds for capital investment	¥ 57,945	1.43	¥ 690	0.01	$ 589,892
Funds for working capital	3,973,642	98.56	3,770,837	99.98	40,452,434
Total	¥4,031,587	100.00	¥3,771,527	100.00	$41,042,326

Loans by Industry

As of March 31

	Millions of yen, %				Thousands of U.S. dollars
	2009		2008		2009
	Amount	%	Amount	%	Amount
Agriculture, forestry, fishing, and mining	¥ –	–	¥ –	–	$ –
Manufacturing	190,182	4.71	7,821	0.20	1,936,089
Utilities, information/communications, and transportation	201,651	5.00	–	–	2,052,848
Wholesale and retail	18,392	0.45	6,391	0.16	187,235
Finance and insurance	3,414,775	84.70	3,735,689	99.04	34,763,058
Construction and real estate	50,681	1.25	5,000	0.13	515,952
Services	10,200	0.25	1,500	0.03	103,839
National and local governments	51,381	1.27	–	–	523,075
Others	94,323	2.33	15,125	0.40	960,231
Total	¥4,031,587	100.00	¥3,771,527	100.00	$41,042,326

Loans to Individuals and Small and Midsize Enterprises

As of March 31

	Millions of yen, %		Thousands of U.S. dollars
	2009	2008	2009
Total loans (A)	¥4,031,587	¥3,771,527	$41,042,326
Loans to individuals and small and midsize enterprises (B)	67,323	15,125	685,366
(B/A)	1.66	0.40	

Note: Individuals and small and midsize enterprises are defined as companies with capital of ¥300 million or less (¥100 million or less for wholesalers and ¥50 million or less for retail and service businesses) or companies with full-time employees of 300 workers or less (100 employees or less for wholesalers, 50 employees or less for retail businesses, and 100 employees or less for service businesses) and individuals.

Problem Assets Disclosed under the Financial Reconstruction Law

As of March 31

	Millions of yen, %		Thousands of U.S. dollars
	2009	2008	2009
Loans to borrowers classified as bankrupt or quasi–bankrupt	¥ –	¥ –	$ –
Loans to borrowers classified as doubtful	–	–	–
Loans requiring close monitoring	–	–	–
Sub-total (A)	–	–	–
Loans to borrowers classified as normal	4,042,904	3,785,615	41,157,538
Total (B)	¥4,042,904	¥3,785,615	$41,157,538
Non-performing loan ratio (A/B)	–	–	

Reserve for Possible Loan Losses

For the years ended March 31

	Millions of yen			
	2009			
	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
General reserve for possible loan losses	¥ 950	¥ 370	¥ (950)	¥ 370
Specific reserve for possible loan losses	559	717	(559)	717
Total	¥1,510	¥1,087	¥(1,510)	¥1,087

	Millions of yen			
	2008			
	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
General reserve for possible loan losses	–	¥ 987	¥ 36	¥ 950
Specific reserve for possible loan losses	–	1,538	978	559
Total	–	¥2,525	¥1,015	¥1,510

	Thousands of U.S. dollars			
	2009			
	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
General reserve for possible loan losses	$ 9,681	$ 3,771	$ (9,681)	$ 3,771
Specific reserve for possible loan losses	5,695	7,303	(5,695)	7,303
Total	$15,376	$11,074	$(15,376)	$11,074

Note: The increased amounts during the fiscal year ended March 31, 2008 include ¥36 million of general reserve for possible loan losses and ¥978 million of specific reserve for possible loan losses, which were both taken over from Japan Post.

Securities

Average Balance by Type of Trading Account Securities

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Trading account Japanese Government Bonds	¥280	¥206	$2,852
Trading account Japanese local government bonds	–	–	–
Trading account government guaranteed bonds	–	–	–
Other trading account securities	–	–	–
Total	¥280	¥206	$2,852

Note: Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Securities by Time to Maturity

As of March 31

	Millions of yen							
	2009							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese Government Bonds	¥37,801,603	¥43,220,377	¥26,885,531	¥22,458,707	¥22,511,666	¥2,612,270	¥ –	¥155,490,155
Japanese local government bonds	1,564,228	1,278,829	1,439,485	1,050,860	843,808	–	–	6,177,212
Commercial paper	542,904	–	–	–	–	–	–	542,904
Japanese corporate bonds	1,411,409	2,397,020	1,715,924	1,081,130	2,604,457	670,520	–	9,880,462
Stocks	–	–	–	–	–	–	900	900
Others:	2,069	324,905	816,268	66,596	74,662	–	175,000	1,459,503
Foreign bonds	2,069	324,905	816,268	66,596	74,662	–	–	1,284,502
Foreign stocks	–	–	–	–	–	–	–	–
Total	¥41,322,214	¥47,221,132	¥30,857,209	¥24,657,295	¥26,034,594	¥3,282,790	¥175,900	¥173,551,137

	Millions of yen							
	2008							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	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
Commercial paper	–	–	–	–	–	–	–	–
Japanese 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

	Thousands of U.S. dollars							
	2009							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese Government Bonds	$384,827,477	$439,991,627	$273,699,799	$228,633,900	$229,173,023	$26,593,405	$ –	$1,582,919,230
Japanese local government bonds	15,924,138	13,018,722	14,654,240	10,697,962	8,590,130	–	–	62,885,192
Commercial paper	5,526,866	–	–	–	–	–	–	5,526,866
Japanese corporate bonds	14,368,419	24,402,123	17,468,433	11,006,111	26,513,869	6,826,022	–	100,584,977
Stocks	–	–	–	–	–	–	9,162	9,162
Others:	21,069	3,307,597	8,309,768	677,962	760,082	–	1,781,540	14,858,019
Foreign bonds	21,069	3,307,597	8,309,768	677,962	760,082	–	–	13,076,479
Foreign stocks	–	–	–	–	–	–	–	–
Total	$420,667,970	$480,720,069	$314,132,239	$251,015,935	$265,037,105	$33,419,427	$1,790,702	$1,766,783,447

Balance by Type of Securities

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Japanese Government Bonds	¥155,490,155	¥156,773,157	$1,582,919,230
Japanese local government bonds	6,177,212	7,499,247	62,885,192
Commercial paper	542,904	–	5,526,866
Japanese corporate bonds	9,880,462	7,801,698	100,584,977
Stocks	900	–	9,162
Others	1,459,503	458,012	14,858,019
Total	¥173,551,137	¥172,532,116	$1,766,783,447

Years ended March 31

Average Balances

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Japanese Government Bonds	¥157,557,897	¥156,740,162	$1,603,969,229
Japanese local government bonds	6,861,037	7,906,902	69,846,665
Commercial paper	437,789	–	4,456,778
Japanese corporate bonds	8,557,389	7,445,295	87,115,850
Stocks	833	–	8,484
Others	879,468	331,451	8,953,156
Total	¥174,294,416	¥172,423,811	$1,774,350,161

Note: Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Fund Management Status

As of March 31

	Millions of yen, %				Thousands of U.S. dollars
	2009		2008		2009
	Outstanding assets	%	Outstanding assets	%	Outstanding assets
Loans	¥ 4,031,587	2.07	¥ 3,771,527	1.83	$ 41,042,326
Money held in trust	1,224,742	0.63	412,570	0.20	12,468,111
Securities:	173,551,137	89.48	172,532,116	84.13	1,766,783,447
Japanese Government Bonds	155,490,155	80.16	156,773,157	76.44	1,582,919,230
Japanese local government bonds	6,177,212	3.18	7,499,247	3.65	62,885,192
Commercial paper	542,904	0.27	–	–	5,526,866
Japanese corporate bonds	9,880,462	5.09	7,801,698	3.80	100,584,977
Stocks	900	0.00	–	–	9,162
Other securities	1,459,503	0.75	458,012	0.22	14,858,019
Call loans	51,184	0.02	3,655,000	1.78	521,063
Guarantees on securities lending transactions	725,786	0.37	–	–	7,388,640
Due from banks, etc.	5,657,973	2.91	3,984,711	1.94	57,599,239
Deposits (to the fiscal loan fund)	8,700,000	4.48	20,700,000	10.09	88,567,647
Others	10,784	0.00	14,227	0.00	109,790
Total	¥193,953,196	100.00	¥205,070,154	100.00	$1,974,480,263

Notes: 1. Due from banks, etc. for the fiscal year ended March 31, 2008 includes negotiable certificates of deposit, receivables under resale agreements, and monetary claims bought.

2. Due from banks, etc. for the fiscal year ended March 31, 2009 includes negotiable certificates of deposit, receivables under resale agreements, monetary claims bought, and Bank of Japan (BOJ) deposits. There was no year-end balance of receivables under resale agreements in due from banks, etc. in the fiscal year ended March 31, 2009. The BOJ deposits have been included in due from banks, etc. as of the fiscal year ended March 31, 2009 as these deposits bear interest rates under the BOJ's supplementary current account system for smoothing monetary supply.

Foreign Bonds

As of March 31

Foreign Bonds by Currency

	Millions of yen, %				Thousands of U.S. dollars
	2009		2008		2009
	Fair value	%	Fair value	%	Fair value
Japanese yen	¥1,198,704	93.32	¥229,995	50.21	$12,203,034
Euro	85,798	6.67	121,828	26.59	873,445
U.S. dollar	–	–	88,331	19.28	–
Others	–	–	17,857	3.89	–
Total	¥1,284,502	100.00	¥458,012	100.00	$13,076,479

Money Held in Trust

As of March 31

Assets by Type

	Millions of yen, %				Thousands of U.S. dollars
	2009		2008		2009
	Fair value	%	Fair value	%	Fair value
Domestic stocks	¥ 995,990	86.69	¥334,035	84.49	$10,139,373
Domestic bonds	152,719	13.29	–	–	1,554,714
Foreign stocks	114	0.00	61,306	15.50	1,168
Total	¥1,148,824	100.00	¥395,341	100.00	$11,695,256

Assets by Currency

	Millions of yen, %				Thousands of U.S. dollars
	2009		2008		2009
	Fair value	%	Fair value	%	Fair value
Japanese yen	¥1,148,710	99.99	¥334,035	84.49	$11,694,087
U.S. dollar	113	0.00	31,936	8.07	1,153
Euro	0	0.00	12,133	3.06	8
Others	0	0.00	17,236	4.35	7
Total	¥1,148,824	100.00	¥395,341	100.00	$11,695,256

Note: Cash and deposits are excluded.

Securitized Product Exposure

As at March 31, 2009, the Bank held the following securitized products.

The Bank's credit risk exposure to securitized products and other products was limited to special purpose enterprises (SPEs) that are final investors. None of these SPEs were established as originators of securitized products and have dubious status as to whether or not they should be consolidated.

Furthermore, the Bank did not realize any actual losses on securitized products during the fiscal year ended March 31, 2009 due to write-off or losses on sales.

As of March 31

1. Securitized Products

	Billions of yen, %			
	2009			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B/A)	Credit ratings
Residential mortgage backed securities (RMBS)	¥704.5	¥(5.0)	(0.7)	AAA
Subprime loan related	–	–	–	–
Collateralized loan obligations (CLO)	71.3	0.5	0.7	AAA
Other securitized products (Securitized products with credit card receivables as underlying assets)	63.6	(0.1)	(0.2)	AAA~BBB
Commercial mortgage backed securities (CMBS)	–	–	–	–
Collateralized debt obligations (CDO)	–	–	–	–
Total	¥839.6	¥(4.6)	(0.5)	

	Millions of U.S. dollars, %			
	2009			
	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B/A)	Credit ratings
Residential mortgage backed securities (RMBS)	$7,172.8	$(51.1)	(0.7)	AAA
Subprime loan related	–	–	–	–
Collateralized loan obligations (CLO)	726.6	5.4	0.7	AAA
Other securitized products (Securitized products with credit card receivables as underlying assets)	647.9	(1.6)	(0.2)	AAA~BBB
Commercial mortgage backed securities (CMBS)	–	–	–	–
Collateralized debt obligations (CDO)	–	–	–	–
Total	$8,547.5	$(47.2)	(0.5)	

Notes: 1. No hedging activities against credit risks were made.
2. Underlying assets are located in Japan.
3. The numbers do not include securitized products that might be included in investment trusts. The same holds hereinafter.

2. Structured Investment Vehicles (SIVs)

There were no investments in SIVs

3. Leveraged Loans

There were no outstanding leveraged loans.

4. Monoline Insurer Related Products

There were no monoline insurer related exposures.

In addition, the Bank has not extended credit to or executed credit derivatives transactions with any monoline insurers.

5. U.S. Government Sponsored Enterprises (GSEs)

The bank does not hold any securitized products that have as underlying assets securities issued by the Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) of the United States. Nor does the Bank hold any securities directly issued by these GSEs.

Ratios

Net Operating Income to Assets and Equity

Years ended March 31

	%	
	2009	2008
Net operating income to assets	0.18	0.23
Net operating income to equity	4.73	6.48

Note: 1. For the fiscal year ended March 31, 2009, net operating income to assets and net operating income to equity are calculated as follows:
Net Operating Income to Assets = Net operating income / [(sum of total assets at beginning and end of fiscal period) / 2] x 100
Net Operating Income to Equity = Net operating income / [(sum of total capital at beginning and end of fiscal period) / 2] x 100
2. For the fiscal year ended March 31, 2008, net operating income to assets and net operating income to equity are calculated as follows:
Net Operating Income to Assets = Net operating income / [(sum of total assets at start of operations and end of fiscal period) / 2] x 100
Net Operating Income to Equity = Net operating income / [(sum of total capital at start of operations and end of fiscal period) / 2] x 100
3. Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008 and are annualized.

Net Income to Assets and Equity

Years ended March 31

	%	
	2009	2008
Net income to assets (ROA)	0.11	0.14
Net income to equity (ROE)	2.82	3.85

Notes: 1. For the fiscal year ended March 31, 2009, net income to assets and net income to equity are calculated as follows:
ROA = Net income / [(sum of total assets at beginning and end of fiscal period) / 2] x 100
ROE = Net income / [(sum of total capital at beginning and end of fiscal period) / 2] x 100
2. For the fiscal year ended March 31, 2008, net income to assets and net income to equity are calculated as follows:
ROA = Net income / [(sum of total assets at start of operations and end of fiscal period) / 2] x 100
ROE = Net income / [(sum of total capital at start of operations and end of fiscal period) / 2] x 100
3. Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008 and are annualized.

Overhead Ratio and Deposit-to-Expense Ratio

Years ended March 31

	%	
	2009	2008
Overhead ratio (OHR)	72.48	67.11
Deposit-to-expense ratio	0.70	0.66

Notes: 1. OHR = general and administrative expenses / gross operating profit x 100
2. Deposit-to-expense ratio = general and administrative expenses / average deposit balances x 100
3. General and administrative expenses used in calculating the OHR and deposit-to-expense ratio for the fiscal year ended March 31, 2008 essentially reflect the six-month period following the Bank's incorporation on October 1, 2007. In addition, gains and losses (including a net loss of ¥731 million) of the preparatory planning company for privatization during the first half of the fiscal period have been included.
4. The gross operating profit used in calculating the OHR for the fiscal year ended March 31, 2008 is for the six-month period from October 1, 2007 to March 31, 2008.
5. The deposit-to-expense ratio for the fiscal year ended March 31, 2008 has been annualized.

Spread

Years ended March 31

	%	
	2009	2008
Yield on interest-earning assets	**1.14**	1.19
Interest rate on interest-bearing liabilities	**0.33**	0.37
Spread	**0.80**	0.82

Notes: 1. Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.
2. Interest rates and spreads for the fiscal year ended March 31, 2008 have been annualized.

Loan-Deposit Ratio

As of March 31 (except where noted)

	Millions of yen, %		Thousands of U.S. dollars
	2009	2008	**2009**
Loans (A)	**¥ 4,031,587**	¥ 3,771,527	**$ 41,042,326**
Deposits (B)	**177,479,840**	181,743,807	**1,806,778,383**
Loan-deposit ratio (A/B)	**2.27**	2.07	
Loan-deposit ratio (average for fiscal period)*	**2.12**	2.10	

* Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Security-Deposit Ratio

As of March 31 (except where noted)

	Millions of yen, %		Thousands of U.S. dollars
	2009	2008	**2009**
Securities (A)	**¥173,551,137**	¥172,532,116	**$1,766,783,447**
Deposits (B)	**177,479,840**	181,743,807	**1,806,778,383**
Security-deposit ratio (A/B)	**97.78**	94.93	
Security-deposit ratio (average for fiscal period)*	**97.06**	92.88	

* Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Others

Over-the-Counter Sales of Japanese Government Bonds

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Long-term bonds	**¥ 90,731**	¥ 40,389	**$ 923,668**
Medium-term bonds	**806,190**	383,662	**8,207,173**
Bonds for individuals	**285,003**	235,485	**2,901,393**
Total	**¥1,181,926**	¥659,537	**$12,032,234**

Note: Figures for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Domestic Exchanges

Years ended March 31

Mutual Remittances

	Millions of yen				Thousands of U.S. dollars
	2009		2008		**2009**
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
Sent	**1,668**	**¥4,215,404**	108	¥1,564,318	**$42,913,618**
Received	**1,145**	**1,464,417**	38	203,405	**14,908,048**

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

Transfer Deposits

	Millions of yen				Thousands of U.S. dollars
	2009		2008		**2009**
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
In-payment	**1,236,168**	**¥68,146,219**	628,644	¥34,631,336	**$693,741,416**
Transfers	**87,756**	**62,125,079**	39,948	34,638,839	**632,445,078**
Out-payment	**131,003**	**67,532,728**	61,768	35,524,900	**687,495,960**

Notes: 1. The numbers for the fiscal year ended March 31, 2008 and for the period from April 1, 2008 to December 30, 2008 include mutual remittances indicated in the above table.
2. Figures and amounts for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen				Thousands of U.S. dollars
	2009		2008		**2009**
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Amount
Ordinary remittances	**4,359**	**¥64,312**	2,590	¥42,155	**$654,713**
Postal orders (TEIGAKU KOGAWASE)	**24,079**	**11,314**	11,935	5,977	**115,185**

Note: Figures and amounts for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Foreign Exchanges

Years ended March 31

Millions of U.S. dollars			
2009		2008	
Remittances (thousands)	Amount	Remittances (thousands)	Amount
427	**$1,114**	230	$632

Notes: 1. Foreign exchanges represent the total of international remittances and purchases and sales of traveler's checks.
2. Figure and amount for the fiscal year ended March 31, 2008 are for the six-month period from October 1, 2007 to March 31, 2008.

Investment Trusts Sales (Contract Basis)

Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Number of contracts (thousands)	**1,598**	1,063	
Sales value	**¥171,395**	¥147,498	**$1,744,830**

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Number of investment trust accounts (thousands)	**551**	508	
Net assets	**¥815,666**	¥978,531	**$8,303,631**

Notes: 1. Figures have been rounded off.
2. Account numbers and amounts for the fiscal year ended March 31, 2008 are for the period from October 1, 2007 to March 31, 2008.

Other Businesses

As of March 31, 2009

Credit Cards

Cards issued (outstanding)	366,798 Cards

Mortgage Loans

	Millions of yen	Thousands of U.S. dollars
New credit extended (as intermediary)	¥56,247	$ 572,614

Variable Annuities Policies

	Millions of yen	Thousands of U.S. dollars
Number of policies	3,786	
Value of policies	¥17,615	$ 179,326

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

Capital Position

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

Account		Millions of yen, %	
		2009	2008
Tier I capital	Common stock	**¥3,500,000**	¥3,500,000
	Non-cumulative perpetual preferred stock	**–**	–
	Deposit for subscriptions to shares	**–**	–
	Capital surplus reserve	**4,296,285**	4,296,285
	Other capital surplus	**–**	–
	Retained earnings	**–**	–
	Other retained earnings	**413,140**	206,577
	Others	**–**	–
	Treasury stock (deduction)	**–**	–
	Advance on subscription for treasury stock	**–**	–
	Cash dividends to be paid	**(57,300)**	(22,800)
	Unrealized gains (losses) on other securities	**–**	–
	Subscription rights to shares	**–**	–
	Goodwill equivalents (deduction)	**–**	–
	Intangible fixed assets accounted as a result of merger (deduction)	**–**	–
	Gains on sale on securitization transactions (deduction)	**–**	–
	Total Tier I capital (total of above items) before deduction of deferred tax assets	**–**	–
	Deduction of deferred tax assets (Note1)	**–**	–
	Total Tier I capital (A)	**8,152,126**	7,980,062
	Redeemable equity securities, etc. (carrying covenant regarding step-up interest rate)	**–**	–
Tier II capital	45% of revaluation reserve for land	**–**	–
	General reserve for possible loan losses	**370**	950
	Capital raising through debt financing	**–**	–
	Capital raising through debt financing	**–**	–
	Subordinated bonds with maturity dates and preferred stocks with maturity dates	**–**	–
	Items not included in Tier II capital	**–**	–
	Total Tier II capital (B)	**370**	950
Deductions	Deductions (C)	**–**	–
Total risk-based capital	Total risk-based capital (A+B-C) (D)	**8,152,496**	7,981,013
Risk assets	On-balance-sheet items	**5,406,131**	4,920,454
	Off-balance-sheet items	**74,249**	882,951
	Operational risk equivalent / 8%	**3,372,115**	3,487,041
	Risk assets, etc. (E)	**8,852,495**	9,290,447
Capital adequacy ratio (D/E)		**92.09**	85.90
Tier I capital ratio (A/E)		**92.08**	85.89

Notes: 1. At the end of the fiscal year ended March 31, 2009, the amount equivalent to deferred tax assets totaled ¥141,273 million (¥32,269 million at the end of the fiscal year ended March 31, 2008), and the regulatory ceiling on allowable inclusion of deferred tax assets in capital was ¥1,630,425 million (¥1,596,012 million at the end of the fiscal year ended March 31, 2008).
2. The non-consolidated capital adequacy ratio is calculated based on standards stipulated by Article 14-2 of the Banking Law (Notification No. 19, the Financial Services Agency of Japan, March 27, 2006) for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments.
3. The Bank has had its assessment method for capital adequacy ratios audited by the independent audit corporation KPMG AZUSA & Co. in accordance with the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 30. The independent audit did not involve auditing of financial accounting methods, but focused on the capital adequacy assessment process of the internal control system based on procedures agreed on by the Bank and KPMG AZUSA & Co. The audit corporation reported these results privately to the Bank and did not issue an audit opinion regarding the capital adequacy ratio or the internal capital adequacy assessment process.

Instruments for Raising Capital

Outline of Instruments for Raising Capital

The Bank raises capital through the issue of common shares. Current issuance is as follows.

•Total issued and outstanding common shares: 150 million shares

Assessment of Capital Adequacy

The Bank assesses the adequacy of its capital by comparing its equity base with its exposure to market, credit, and other risks. Within its capital structure, the Bank evaluates the quality of its capital base by using such factors as the proportion of Tier 1 capital, included in overall capital which includes equity capital and other elements, directed toward establishing a financial base appropriate to its risk appetite.

Specifically, the Bank assesses its capital adequacy position by comparing its risk capital, which is defined as the total of its total risk-based capital (Tier 1 + Tier 2), a portion of unrealized valuation gains on other securities, and projected profits with total risk exposure to market, credit, and operational risk during the period being monitored. To evaluate the quality of its capital, the Bank examines its Tier 1 capital ratio (Tier 1 capital/total risk capital).

The Bank's capital adequacy management framework comprises monthly reporting of these abovementioned assessments to the ALM Committee and quarterly reporting to the ALM Committee, the Executive Committee, Board of Directors, and other management bodies.

Total Required Capital, Capital Adequacy Ratio, and Tier I Capital Ratio (Non-Consolidated)

As of March 31

	Millions of yen, %	
	2009	2008
(1) Capital requirement for credit risk (Note 1):	**¥219,215**	¥232,136
Portfolios applying the standardized approach	**217,852**	231,765
Securitization exposures	**1,362**	370
(2) Capital requirement for operational risk (Note 2):	**134,884**	139,481
The basic indicator approach	**134,884**	139,481
(3) Total capital requirements ((1) + (2)) (Note 3)	**354,099**	371,617
(4) Capital adequacy ratio	**92.09**	85.90
(5) Tier I capital ratio	**92.08**	85.89

Notes: 1. Risk weighted assets x 4%
2. (Operational risk / 8%) x 4%
3. Denominator of capital adequacy ratio x 4%

Exposure Amount of Capital Required for Credit Risk (On-Balance Sheet Items)

As of March 31

Item	(Reference) Risk weight (%) (Note 2)	Millions of yen 2009	Millions of yen 2008
1 Cash	0	¥ 0	¥ 0
2 Japanese government and the Bank of Japan	0	0	0
3 Foreign national governments and central banks	0~100	23	17
4 Bank for International Settlements, etc.	0	–	–
5 Japanese local public agencies	0	0	0
6 Foreign public-sector agencies, other than central governments	20~100	1,297	201
7 International Development Bank	0~100	0	–
8 Local public corporations and other financial institutions	10	562	–
9 Japanese government agencies	10~20	18,956	19,185
10 Three regional public corporations	20	–	–
11 Financial institutions and Financial Instruments Business Operators Engaged in Type I Financial Instruments Businesses	20~100	37,022	67,388
12 Corporations	20~100	99,776	83,574
13 Small and midsize enterprises and individuals	75	–	–
14 Mortgage loans	35	–	–
15 Project finance (acquisition of real estate)	100	–	–
16 Past-due (three months or more)	50~150	–	0
17 Unsettled bills	20	–	–
18 Loans guaranteed by Credit Guarantee Association, etc.	10	–	–
19 Loans guaranteed by Industrial Revitalization Corporation of Japan	10	–	–
20 Investments in capital and others	100	42,924	15,820
21 Other than above	100	14,318	10,258
22 Securitization transactions (as originator)	20~100	–	–
23 Securitization transactions (as investor and other)	20~100	1,362	370
24 Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	–	–	–
25 Capital deductions	–	–	–
Total	–	¥216,245	¥196,818

Notes: 1. Capital requirements are calculated using the following formula.
(Risk weighted assets x 4%)
2. Risk weightings are stipulated in the Capital Adequacy Notification.

MD&A

Financial Statements

Financial Data

Amount of Capital Required for Credit Risk (Off-Balance Sheet Items)

As of March 31

Item		(Reference) Risk weight (%) (Note 2)	Millions of yen 2009	2008
1	Commitment line cancelable automatically or unconditionally at any time	0	¥ –	¥ –
2	Commitment lines with original contract terms of one year or less	20	49	1
3	Short-term trade contingent liabilities	20	–	–
4	Contingent liabilities arising from specific transactions	50	–	–
	(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	–	–
5	NIFs or RUFs	50	–	–
6	Commitment lines with original duration of over one year	50	–	–
7	Contingent liabilities arising from directly substituted credit	100	–	–
	(Secured with loan guarantees)	100	–	–
	(Secured with securities)	100	–	–
	(Secured with draft acceptance)	100	–	–
	(Guaranteed principal amounts held in some trusts outside of the transitional provisions)	100	–	–
	(Credit derivative protection provided)	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	–	–
	Deductions	–	–	–
9	Futures purchases, forward delivery deposits, partly paid shares, partly paid bonds	100	–	–
10	Securities lending, cash or securities collateral provision, or sale or purchase of securities with repurchase agreements	100	2,765	35,310
11	Derivative transactions	–	155	5
	(1) Foreign exchange-related transactions	–	109	0
	(2) Interest rate-related transactions	–	42	4
	(3) Gold-related transactions	–	–	–
	(4) Equity-related transactions	–	–	–
	(5) Precious metal-related transactions (excluding gold)	–	–	–
	(6) Other commodity-related transactions	–	–	–
	(7) Credit derivative transactions (counterparty risk)	–	3	–
	Write-off of credit equivalent amount under close-out netting agreement (deduction)	–	–	–
12	Long-settlement transactions	–	0	0
13	Accounts outstanding	–	–	–
14	Eligible liquidity facilities related to securitization exposure and eligible servicer cash advance facilities	0~100	–	–
15	Off-balance sheet securitization exposure other than the above	100	–	–
16	Capital deductions	–	–	–
	Total	–	¥2,969	¥35,318

Notes: 1. Capital requirements are calculated using the following formula.
(Risk weighted assets × 4%)
2. Risk weightings are stipulated in the Capital Adequacy Notification.

Credit Risk

Outline of Credit Risk Management Policies and Procedures

See Page 62-63 (Credit Risk Management)

Ratings for Portfolios Eligible for the Standardized Approach

• Qualified Rating Agencies Used to Determine Risk Weights

In determining risk weights, the Bank utilizes the credit ratings of four rating agencies, specifically, Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and Standard & Poor's Ratings Services (S&P), in addition to the Organisation for Economic Co-operation and Development (OECD).

• Qualified Rating Agencies Used to Determine Risk Weight by Exposure Category

The Bank uses the following qualified rating agencies for each of the following risk exposure categories.

In the case where multiple credit ratings agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with the Capital Adequacy Notification.

Exposure		Rating agencies
Central goverments 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 and Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
Engaged in Type I Financial Instruments Businesses	Non-resident	Moody's, S&P, OECD
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

As of March 31

		Millions of yen				
		2009				
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total
Japan	Agriculture, forestry, fishery, and mining	¥ –	¥ –	¥ –	¥ –	¥ –
	Manufacturing	190,824	660,980	–	4	851,809
	Utilities, information/communications, and transportation	201,797	4,084,766	–	19,286	4,305,850
	Wholesale and retail	18,441	161,197	–	–	179,639
	Finance and insurance	13,095,907	4,646,218	6,316	16,660	17,765,103
		(77,488,440)				(77,488,440)
	Construction and real estate	50,745	404,976	–	2	455,724
	Services	1,350,202	318,189	–	40,002	1,708,395
	National and local government agencies	11,939,035	161,727,856	–	1,235	173,668,128
	Others	1,594,922	–	–	361,579	1,956,501
	Total	28,441,877	172,004,185	6,316	438,771	200,891,151
		(77,488,440)				(77,488,440)
Overseas	Sovereigns	–	380,646	–	1,315	381,962
	Financial institutions	62,907	574,245	9,872	4,889	651,914
	Others	130,485	509,799	–	4,041	644,325
	Total	193,392	1,464,690	9,872	10,246	1,678,202
Grand total		28,635,270	¥173,468,876	¥16,188	¥449,018	202,569,354
		¥(77,488,440)				¥(77,488,440)

		Millions of yen				
		2008				
Region	Industry	Loans, deposits, etc.	Securities	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	3,726,279	360	20,661	18,751,398
		(115,653,403)				(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	172,101,696	360	280,633	210,092,043
		(115,653,403)				(115,653,403)
Overseas	Sovereigns	701	293,710	–	–	294,411
	Financial institutions	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	¥172,562,832	¥697	¥280,725	214,403,557
		¥(115,653,403)				¥(115,653,403)

Notes: 1. Loans, deposits, etc. comprise loans, deposits with banks, call loans, and off-balance sheet assets other than derivatives. Figures in parenthesis are collateral provided (off balance sheet assets) to Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.
2. Securities include Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, etc.
3. Derivatives comprise such instruments as interest rate swaps and forward foreign exchange contracts.
4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Exposure by Time to Maturity

As of March 31

	Millions of yen				
	2009				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 14,130,243	¥ 41,644,261	¥ 173	¥ 57,576	¥ 55,832,254
	(77,488,440)				(77,488,440)
> One and ≤ three years	2,168,776	47,141,988	2,658	4	49,313,427
> Three and ≤ five years	488,315	30,755,970	8,774	27	31,253,087
> Five and ≤ seven years	378,748	24,627,186	–	–	25,005,935
> Seven and ≤ ten years	2,331,840	25,900,985	4,582	–	28,237,408
Over ten years	3,450,433	3,215,172	–	–	6,665,605
No designated term	5,686,912	183,311	–	391,410	6,261,635
Total	28,635,270	¥173,468,876	¥16,188	¥449,018	202,569,354
	¥(77,488,440)				¥(77,488,440)

	Millions of yen				
	2008				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 22,191,289	¥ 38,734,867	¥110	¥ 7,407	¥ 60,933,675
	(115,653,403)				(115,653,403)
> One and ≤ three years	8,763,973	46,752,433	586	–	55,516,993
> Three and ≤ five years	128,149	35,053,983	–	–	35,182,133
> Five and ≤ seven years	192,334	19,673,963	–	–	19,866,298
> Seven and ≤ ten years	905,027	29,625,054	–	–	30,530,082
Over ten years	2,235,888	2,722,529	–	–	4,958,417
No designated term	7,142,639	–	–	273,317	7,415,956
Total	41,559,302	¥172,562,832	¥697	¥280,725	214,403,557
	¥(115,653,403)				¥(115,653,403)

Notes: 1. Loans and deposits, etc. comprise loans, deposits with banks, call loans, and off-balance sheet assets other than derivatives. Figures in parenthesis are collateral provided (off balance sheet assets) to Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.
2. Securities include Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, etc.
3. Derivatives comprise such instruments as interest rate swaps and forward foreign exchange contracts.
4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Year-End Balances of Exposure to Loans in Arrears for Three Months or More and for Loans in Default and Details by Loan Class (by Region and Industry)

There were no year-end balances.

Loan Write-Off by Industry and Counterparty

There were no write-off of loans during the fiscal year ended March 31, 2009.

Year-End Balances and Changes During the Period of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses, and Loan Loss Reserve for Specific Overseas Countries

By Region

As of March 31

Balance at end of fiscal period

	Millions of yen	
	2009	2008
General reserve for possible loan losses	¥112	¥8
Specific reserve for possible loan losses	–	–
Loan loss reserve for specific overseas countries	–	–

Years ended March 31

Changes during fiscal period

	Millions of yen	
	2009	2008
General reserve for possible loan losses	¥103	¥8
Specific reserve for possible loan losses	–	–
Loan loss reserve for specific overseas countries	–	–

Notes: 1. Breakdowns by domestic and overseas amounts are not disclosed as the Bank only booked general reserve for possible loan losses for the fiscal years ended March 31, 2009 and 2008.
2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Law, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 97.

By Industry

As of March 31

Balance at end of fiscal period

	Millions of yen	
	2009	2008
General reserve for possible loan losses	¥112	¥8
Specific reserve for possible loan losses	–	–
Loan loss reserve for specific overseas countries	–	–

Years ended March 31

Changes during fiscal period

	Millions of yen	
	2009	2008
General reserve for possible loan losses	¥103	¥8
Specific reserve for possible loan losses	–	–
Loan loss reserve for specific overseas countries	–	–

Notes: 1. Breakdowns by industry are not disclosed as the Bank only booked general reserve for possible loan losses for the fiscal years ended March 31, 2009 and 2008.
2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Law, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 97.

Exposure by Risk Weight Classification

As of March 31

	Millions of yen			
	2009		2008	
Risk weight	Rated	Not rated	Rated	Not rated
0%	¥175,751,925	¥87,511,631	¥187,976,853	¥117,163,153
10%	–	5,520,037	–	10,930,129
20%	7,460,051	–	11,354,228	–
35%	–	–	–	–
50%	822,279	–	403,507	–
75%	–	–	–	–
100%	133,526	2,858,342	122,302	2,106,786
150%	–	–	0	–
350%	–	–	–	–
Others	–	–	–	–
Capital deductions	–	–	–	–
Total	¥184,167,783	¥95,890,010	¥199,856,892	¥130,200,068

Notes: 1. Ratings are limited to those rated by qualified rating agencies.
2. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after application of the credit risk mitigation methods.
3. The portion of exposure from assets qualified for credit risk mitigation methods was allocated to risk weight categories before the application of credit risk mitigation methods through the end of the fiscal year ended March 31, 2008. As of the fiscal year ended March 31, 2009, however, assets have been allocated to risk weight categories after the application of credit risk mitigation methods. Figures for the fiscal year ended March 31, 2009 and beyond have been adjusted to reflect this change in the allocation method.

MD&A

Financial Statements

Financial Data

Credit Risk Mitigation Methodology

Outline of Risk Management Policies and Procedures

The Bank applies credit risk mitigation methods as stipulated in the Capital Adequacy Notification in calculating its capital adequacy ratio. Credit risk mitigation methods involve taking into consideration the benefits of collateral and guarantees in the calculation of its capital adequacy ratio and can be appropriately applied to eligible financial collateral, the netting of loans against the Bank's self deposits, and guarantees and credit derivatives.

• Categories of Eligible Financial Collateral

Cash, self deposits, and securities are the only type of eligible financial collateral used by the Bank.

• Outline of Policies and Procedures for the Assessment and Management of Collateral

The Bank uses the Simple Method stipulated in the Capital Adequacy Notification as its credit risk mitigation method.

The Bank has established internal procedures that enable timely sales or purchases of eligible financial collateral based on collateral contracts, including terms and conditions, signed prior to any of these transactions.

• Outline of Policies and Procedures for the Netting of Loans and Self Deposits and the Types of Transactions and Scope for which Netting can be Applied

The Bank regards the netted amount of loans and self deposits as the amount of exposure used in the calculation of the capital adequacy ratio in accordance with special clauses on netting in banking transaction agreements.

Currently, this policy is not being applied.

• Explanation of the Credit Worthiness of Guarantors and Major Types of Counterparties in Credit Derivative Transactions

The major guarantors used by the Bank are the national government and corporations. The use of these guarantors lowers risk weights more than non-guaranteed debts. The Bank has no credit derivative balances.

• Outline of Policies and Procedures for Legally Applying Close-Out Netting Contracts for Derivative Transactions as well as Repurchase Transaction Agreements and the Type and Scope of Transactions to which This Method is Applied

Not applicable.

• Information on the Concentration of Credit and Market Risk Arising from the Application of Credit Risk Mitigation Methods

There is no concentration arising from the use of credit risk mitigation.

Exposure After Applying Credit Risk Mitigation

As of March 31

	Millions of yen, %			
	2009		2008	
Item	Exposure	%	Exposure	%
Eligible financial collateral	**¥78,604,285**	**93.03**	¥109,788,309	96.34
Guarantees	**5,883,870**	**6.96**	4,164,102	3.65
Total	**¥84,488,155**	**100.00**	¥113,952,412	100.00

Notes: 1. The categories of eligible financial collateral used by the Bank include cash, self deposits, and securities.
2. The major guarantors used by the Bank are the national government and corporations. The use of these guarantors lowers risk weights more than non-guaranteed debts.
3. There is no exposure to funds that include investment trusts, etc.

Derivative Transactions and Transactions with Long-Term Settlements

Outline of Policies and Procedures for Risk Management

• Policy on Collateral Security and Reserve Calculation and Impact of Additional Collateral Demanded on Deterioration of Credit Quality

The Bank signs, as necessary, credit risk mitigation contracts with counterparties in derivative transactions that involve regular transfers of collateral determined in accordance with replacement costs and the likes. Under these contracts, the Bank must provide the counterparty with additional collateral in the event of deterioration in the Bank's credit quality. However, the impact of these contracts is deemed to be minor.

At the end of the fiscal year ended March 31, 2009, collateral provided for these derivative transactions amounted to ¥18,985 million.

The Bank's policy on reserve calculation related to derivative transactions is the same as that on applied to ordinary on-balance sheet assets.

• Policy on Credit Line Limit and Risk Capital Allocation Method

Credit ratings have been assigned to all transaction counterparties based on credit quality assessments. Accordingly, the Bank has no particular concerns over the credit standings of these counterparties.

The Bank assigns debtor ratings to all derivative transaction counterparties. The Bank sets credit line limits based on these ratings and conducts regular monitoring on a daily basis to ensure appropriate management of credit risk. The Bank uses the Current Exposure Method in determining the amount of credit outstanding as part of its credit risk management. This method takes into consideration market value of and price fluctuation risk of derivative transactions.

The risk capital allocations for derivative transactions are included in those for market risk.

Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen					
	2009			2008		
Item	Gross replacement costs	Gross add-on amounts	Net credit equivalents	Gross replacement costs	Gross add-on amounts	Net credit equivalents
Interest rate-related transactions:						
Interest rate swaps	**¥303**	**¥ 4,335**	**¥ 4,638**	¥ 86	¥500	¥586
Currency-related transactions:						
Forward foreign exchange contracts	**23**	**11,526**	**11,549**	26	84	110
Long-settlement transactions	**0**	**0**	**0**	6	0	6
Total	**¥327**	**¥15,861**	**¥16,189**	¥119	¥584	¥704

Notes: 1. Net credit equivalents are calculated using the Current Exposure Method.
2. There are no outstanding credit derivatives or credit risk exposures to which credit risk mitigation methods were applied.
3. Gross replacement costs for which reconstruction costs were less than zero are not included.
4. As prescribed in the Capital Adequacy Notification, currency-related derivative transactions with original contract periods of five business days or less are excluded.
5. Long-settlement transactions at the Bank represent securities transactions with settlement periods exceeding five business days.
6. There is no exposure to funds that include investment trusts, etc.

Securitization Exposure

Outline of Policies and Procedures for Risk Management

The Bank is exposed to risks associated with securitization as an investor. For the acquisition of securitized instruments, the Bank refers to external credit ratings and examines closely the quality of underlying assets, the structure of senior and subordinate rights, and the details of the securitization scheme. In view of these procedures, it assigns ratings to debtors and conducts investment management within the credit line limits. Following acquisition, the Bank monitors the external credit ratings, the recovery of the underlying assets, and other indicators. Furthermore, credit risks related to the securitized instruments are included in the calculation of credit risk amount, while related interest rate risks are included in the calculation of market risk amount.

Method Applied for the Calculation of Credit Risk-Weighted Asset Amounts with Regard to Securitization Exposure

The Bank applies the “Standardized Approach” stipulated in the Capital Adequacy Notification to calculate credit risk-weighted asset amounts related to securitized instruments.

Qualified Rating Agencies Used to Determine Risk Weights by Type of Securitization Exposure

The Bank adopts the credit ratings of the following qualified rating agencies to determine credit risk-weighted asset amounts related to securitized instruments.

• Rating and Investment Information, Inc. (R&I)
• Japan Credit Rating Agency, Ltd. (JCR)
• Moody’s Investors Service, Inc. (Moody’s)
• Standard & Poor’s Ratings Services (S&P)

Investments in Securitized Instruments

Breakdown by Type of Underlying Assets

As of March 31

	Millions of yen	
Type of underlying assets	**2009**	2008
Mortgage loans	**¥ 87,598**	¥22,706
Auto loans	**13,592**	8,406
Leases	**19,581**	10,206
Consumer loans	**13,742**	5,005
Corporate loans	**71,669**	–
Total	**¥206,184**	¥46,323

Note: The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.

Balance by Risk Weight and Amount of Capital Requirements

As of March 31

	Millions of yen			
	2009		2008	
Risk weight	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	**¥ 71,669**	**¥ 286**	¥ –	¥ –
20%	**134,514**	**1,076**	46,323	370
50%	**–**	**–**	–	–
100%	**–**	**–**	–	–
150%	**–**	**–**	–	–
Capital deductions	**–**	**–**	–	–
Total	**¥206,184**	**¥1,362**	¥46,323	¥370

Notes: 1. The above figures are not risk-weighted assets calculated in accordance with Article 15 of the Supplementary Provisions to the Capital Adequacy Notification.
2. Capital requirements are calculated using the following formula.
(Risk weighted assets x 4%)

Accounting Policy for Securitization Transactions

The Bank complies with the Accounting Standards Board of Japan Statement No. 10, Accounting Standards for Financial Instruments (Business Accounting Council, January 22, 1999) in recognizing the initiation and extinguishment of financial assets and liabilities in securitization transactions and assessing and booking these assets and liabilities.

Operational Risk

Outline of Policies and Procedures for Risk Management

See Page 63 (Operational Risk Management)

Method Applied for the Calculation of Operational Risk Equivalent Amounts

The Bank adopts the Basic Indicator Approach stipulated in the Capital Adequacy Notification to calculate operational risk equivalent amounts based on capital adequacy regulations.

Investments, Stock, and Other Exposure in Banking Account

Outline of Policies and Procedures for Equity Exposure in Banking Account

See Page 60-61 (Market Risk Management/Market Liquidity Risk Management)

1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2009		2008	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc.	¥ –	¥ –	¥ –	¥ –
Exposure to investments or equities, etc. other than above	67,379	67,379	–	–
Total	¥67,379	¥67,379	¥ –	¥ –

2. Gains (Losses) on Sale or Write-Off of Investment or Equity Exposures

Years ended March 31

	Millions of yen	
	2009	2008
Gains (Losses):	¥ –	¥ –
Gains	–	–
Losses	–	–
Write-offs	–	–

Note: The gains and losses in the above table are recorded as gains (losses) on sales of stock, etc. on the statements of income.

3. Unrealized Gains (Losses) Recognized on the Balance Sheets But Not on the Statements of Income

Years ended March 31

	Millions of yen	
	2009	2008
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	¥(82)	¥ –

Note: The numbers represent unrealized gains (losses) on stock, etc. with fair value.

4. Unrealized Gains (Losses) Not Recognized on the Balance Sheets or the Statements of Income

Years ended March 31

	Millions of yen	
	2009	2008
Unrealized gains (losses) not recognized on the balance sheets or the statements of income	¥ –	¥ –

Note: The table represents unrealized gains (losses) on stock of affiliates with fair value.

Interest Rate Risk in Banking Account

Outline of Policies and Procedures for Interest Rate Risk in Banking Account

See Page 60-61 (Market Risk Management/Market Liquidity Risk Management)

Outline of Method for the Calculation of Interest Rate Risk in the Banking Account Used for Internal Management Purposes

See Page 60-61 (Market Risk Management/Market Liquidity Risk Management)

Status of Loss to Capital Ratio Under the Outlier Framework

The Bank measures the loss to capital ratio under the outlier criterion as part of its practice to monitor interest rate risks in its banking account, as determined by the Basel II Framework. The ratio at the end of the fiscal year ended March 31, 2009 was as follows.

The Bank ensures sufficient capital to cover interest rate risk exposure, given the marginal credit risks. Accordingly, interest rate risks are deemed to be a minor management issue.

As of March 31

	Billions of yen, %	
	2009	2008
Amount of loss (A)	¥1,808.3	¥2,084.7
Capital (broad category, Tier I + Tier II) (B)	8,152.4	7,981.0
Loss to capital ratio (A/B)	22.18	26.12

Notes: 1. The Bank adopts an interest rate shock scenario based on historical interest rate fluctuation data for a five-year period with a one-year holding period. Confidence levels of 1% and 99% for interest rate fluctuations are applied in this scenario.

2. According to the “Comprehensive Guidelines for Major Banks, etc.” prescribed by the Financial Services Agency (FSA), “Because Japan Post Bank is obligated legally to hold a portion of its assets in government bonds and other “safe” assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the outlier standard.”

Board of Directors and Executive Officers

As of August 1, 2009

Board Member

Koji Furukawa	Chairman & CEO
Shokichi Takagi	President & COO
Atsushi Kinebuchi	Director (outside)
Yoshifumi Nishikawa	Director (outside)
Fumio Masada	Director (outside)
Noboru Matsuda	Director (outside)

Nomination Committee

Yoshifumi Nishikawa	Chairman
Koji Furukawa	
Shokichi Takagi	
Atsushi Kinebuchi	
Fumio Masada	

Audit Committee

Noboru Matsuda	Chairman
Atsushi Kinebuchi	
Fumio Masada	

Compensation Committee

Yoshifumi Nishikawa	Chairman
Koji Furukawa	
Shokichi Takagi	
Atsushi Kinebuchi	
Fumio Masada	

Representative Executive Officers

Koji Furukawa	Chairman & CEO
Shokichi Takagi	President & COO

Executive Officers

Tomohiro Yonezawa	Executive Vice President
Sumio Fukushima	Executive Vice President
Tomohisa Mase	Senior Managing Executive Officer
Akira Iwasaki	Senior Managing Executive Officer
Toru Takahashi	Senior Managing Executive Officer
Shuichi Ikeda	Managing Executive Officer
Susumu Tanaka	Managing Executive Officer
Hiroshi Yamada	Managing Executive Officer
Satoshi Hoshino	Managing Executive Officer
Satoru Ito	Managing Executive Officer
Riki Mukai	Managing Executive Officer
Masahiro Murashima	Managing Executive Officer
Hiroichi Shishimi	Executive Officer
Takashi Usuki	Executive Officer
Yoko Makino	Executive Officer
Masaya Aida	Executive Officer
Naoto Misawa	Executive Officer
Masato Wakai	Executive Officer
Katsumi Amano	Executive Officer
Kunihiko Amaha	Executive Officer
Osami Niihori	Executive Officer

Corporate Data

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Tokyo 100-8798
Japan

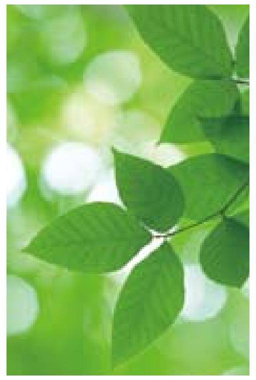
Internet : http://www.jp-bank.japanpost.jp/

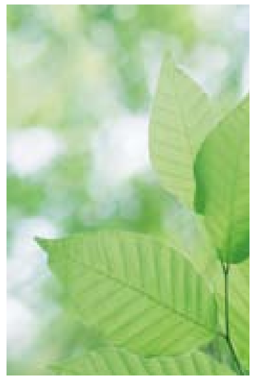
Annual Report 2009

Cautionary Statement

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and assumptions made by Japan Post Bank's management. These statements are based on plans, estimates and projections currently available to the management at the time of producing these statements. Japan Post Bank undertakes no obligation to publicly update or revise any forward-looking statements in light of new information or future events.

By their nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statements.





Dialogue