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Highlights

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1. Overview of Postal Service

VOLUME OF MAIL HANDLED

In fiscal 2004, the total volume of mail handled was 25,004.33 million items, down 2.3% or 582.30 million items from the previous year.

Annual per capita mail volume was 197, which was a decrease of five items compared to the previous fiscal year.

An overview according to mail category is as follows:

a) Letter Post

In a difficult business environment, first-class mail (sealed letters) and second-class mail (postcards), which account for about 90% of all mail, decreased 4.8% from the previous year to 22,233.64 million items (total of first- and second-class, first-class: 11,658.35 million items, second-class: 10,575.29 million items, includes New Year and election mail). The decline was attributable to the spread of IT technology (the move to e-mail), a shift to private mail services, and a drop in corporate mail because of cuts in communications expenses.

The volume of third-class mail dropped 19.7% year-on-year to 687.45 million items, due mainly to a decline in the mailing of periodical publications issued at least three times a month.

The volume of fourth-class mail was 34.77 million items, down 14.2% from a year earlier, owing chiefly to a fall in correspondence-course mailings.

The volume of special-handling mail decreased 1.1% year-on-year to 537.64 million items, affected by the spread of IT technology (the shift to e-mail) and the increased delivery speed of ordinary mail.

As a result, the overall volume of letter post declined by 1,310.96 million items year-on-year to 23,493.50 million items.

b) Parcel Post

For ordinary parcels, Japan Post has established a target of expanding its share of the small-parcel market (total volume handled of private parcel delivery services and ordinary parcels) from 5.7% in fiscal 2002, to 10% three years later in fiscal 2005, under the slogan of "Target 10." During the year under review, the company made considerable efforts to achieve this goal. In consequence, the volume of ordinary parcels rose 17.8% from the previous year to 214.69 million items. This increase was due to an increase in use by department stores and mail order companies, and a renewal of the Yu-Pack door-to-door parcel delivery service.

The volume of booklet parcels soared 135.6% from the preceding year to 1,215.06 million items, thanks to efforts to improve services.

As a result, the overall volume of parcel post increased by 731.74 million items year-on-year to 1,429.75 million.

c) International Mail

In international mail, the volume of international express mail (EMS) decreased 1.0% from a year earlier, to 9.36 million items, and that of international letter post declined 4.0% to 70.24 million items, affected partly by the spread of e-mail.

The volume of international parcels fell 3.5% year-on-year to 1.49 million items.

As a result, the volume of international mail overall was 81.08 million items, down 3.08 million items.

For incoming mail, international letter post decreased 9.8% year-on-year to 207.88 million items, while international parcel post increased 0.2% to 2.10 million items and EMS rose 7.3% to 5.51 million items. As a result, the volume of international mail (incoming) was 215.48 million items, down 9.4% or 22.23 million items.

Unit: million items, %

Classification	FY2000		FY2001		FY2002		FY2003		FY2004	
	Number of items	Changes	Number of items	Changes	Number of items	Changes	Number of items	Changes	Number of items	Changes
Total	26,531	1.5	26,725	0.7	26,180	-2.0	25,587	-2.3	25,004	-2.3
Domestic mail	26,425	1.5	26,627	0.8	26,090	-2.0	25,502	-2.3	24,923	-2.3
1. Letter post	26,114	1.6	26,216	0.4	25,647	-2.2	24,804	-3.3	23,493	-5.3
(1) Ordinary mail	25,470	1.8	25,578	0.4	25,015	-2.2	24,261	-3.0	22,956	-5.4
A. First-class mail	13,152	1.9	13,188	0.3	12,839	-2.6	12,335	-3.9	11,658	-5.5
(a) Standard size	11,785	1.8	11,839	0.5	11,570	-2.3	11,166	-3.5	10,600	-5.1
(b) Non-standard size	1,367	2.4	1,349	-1.3	1,269	-5.9	1,168	-7.9	1,058	-9.5
B. Second-class mail	7,519	4.0	7,750	3.1	7,808	0.8	7,560	-3.2	7,307	-3.4
C. Third-class mail	1,087	-3.2	1,040	-4.3	969	-6.9	857	-11.6	687	-19.7
D. Fourth-class mail	36	-3.1	38	4.5	37	-1.6	41	9.2	35	-14.2
E. New Year's mail	3,615	-0.9	3,509	-2.9	3,347	-4.6	3,359	0.3	3,226	-3.9
F. Election Mail	62	-27.3	54	-12.4	15	-73.1	110	656.7	42	-62.1
(2) Special-handling mail	644	-5.0	638	-1.0	632	-0.9	543	-14.0	538	-1.1
A. Registered mail	182	-5.1	169	-7.2	159	-5.8	139	-12.9	134	-3.3
B. Delivery-certified mail	189	-7.6	207	9.6	230	10.9	215	-6.5	227	5.6
C. Express mail, etc.	273	-3.0	261	-4.3	243	-7.0	190	-21.9	176	-7.1
2. Parcel post	310	-2.8	411	32.4	442	7.6	698	57.8	1,430	104.8
(1) Ordinary parcels	155	0.6	162	4.3	166	2.6	182	9.9	215	17.8
(2) Booklet parcels	156	-6.0	249	60.3	277	10.9	516	86.5	1,215	135.6
International mail (outgoing)	106	-6.2	98	-7.1	91	-8.0	84	-9.6	81	-3.7
1. Letter post	96	-7.2	88	-8.0	80	-9.4	73	-11.3	70	-4.0
2. Parcel post	2	-16.7	2	-8.0	2	0.5	2	0.2	1	-3.5
3. EMS	8	9.7	9	3.6	9	4.8	9	3.6	9	-1.0
(Reference) International mail (incoming)	298	2.1	287	-3.9	269	-6.0	238	-11.7	215	-9.4
1. Letter post	290	1.9	279	-3.8	262	-6.1	230	-12.1	208	-9.8
2. Parcel post	2	3.5	2	-5.8	2	-5.7	2	-2.3	2	0.2
3. EMS	5	11.0	5	-6.3	5	-2.5	5	6.2	6	7.3

POSTAL SERVICE OPERATING REVENUES

Postal service operating revenues (revenues from postal service charges received from customers, not including internal use by Japan Post) in fiscal 2004 were 1,855.6 billion yen, down 2.7% or 50.7 billion yen from the preceding year.

A breakdown by type of revenue is as follows:

a) Stamp Revenues

In terms of stamp revenues (revenues on sales of postage stamps), revenue from sales of ordinary stamps was 295.2 billion yen, down 10.1% from the previous year, due to a decline in letter usage. Revenue from sales of special issue postage stamps issued for special purposes, such as commemorating various events, dropped 14.2% to 23.5 billion yen. Accordingly, the total stamp revenues were 318.7 billion yen, down 10.4% from a year earlier.

b) Postcard Revenues

Postcard revenues (revenues from the sale of postcards, postal letters (mini-letters), international postcards, aerograms, standard parcels (EXPACK 500), and standard international express mail (EMS Asia/World) totaled 267.8 billion yen, down 2.5% from the previous year. Of this total, ordinary postcards (including summer greeting postcards, picture postcards and advertising cards) accounted for 76.4 billion yen, up 2.6%, and New Year's postcards represented 191.4 billion yen, down 4.4%.

c) Deferred-payment Fees

Deferred-payment fees (revenues from mail with deferred payment of fees) were 850.1 billion yen, up 4.5% from a year earlier, due to an increase in mail offered at discount rates for a certain month.

d) Non-affixed Postage Fees

Non-affixed postage fees (revenues from mail with non-affixed postage fees) were 404.9 billion yen, down 9.2% from the preceding year, due mainly to a shift to deferred-payment fees.

e) Miscellaneous Postal Service Revenues

Miscellaneous postal service revenues (revenues arising from the postal service such as sales charges for goods, which are postal service operating revenues not included above) declined 17.0% year-on-year to 14.1 billion yen.

Breakdown by Type of Postal Service Operating Revenue

Unit: billion yen

Classification	FY2000	FY2001	FY2002	FY2003	FY2004
Postal service operating revenues	2,048.6	2,012.8	1,951.7	1,906.3	1,855.6
Stamp revenues	478.4	422.6	390.1	355.7	318.7
Ordinary stamps	405.9	381.7	353.9	328.4	295.2
Special issue postage stamps	72.5	40.9	36.2	27.3	23.5
Postcard revenues	287.8	275.7	267.2	274.7	267.8
Ordinary postcards	82.0	78.3	74.6	74.4	76.4
New Year's postcards	205.8	197.4	192.6	200.3	191.4
Deferred-payment fees	773.7	805.3	800.8	813.2	850.1
Non-affixed postage fees	493.5	494.6	481.4	445.7	404.9
Miscellaneous postage service revenues	15.2	14.7	12.2	17.0	14.1

Note 1: Above amounts are receipts and include consumption tax.

Note 2: Explanations of categories are as below:

Stamp revenues: Revenue from sales of postage stamps and international reply paid stamps

Ordinary stamps: Revenue from postage stamps other than special issue postage stamps

Special issue postage stamps: Revenue from sales of postage stamps issued for special purposes, such as the commemoration of various events

Postcard revenues: Revenue from sales of postcards, letter-cards (mini-letters) and aerograms

Ordinary postcards: Revenue from postcards other than New Year's postcards

New Year's postcards: Revenue from sales of New Year lottery postcards

Deferred-payment fees: Revenue from fees for deferred-payment postal items

Non-affixed postage fees: Revenue from fees for postage items with non-affixed postage fees

Miscellaneous postal service revenues: Revenue from postal business arising from postal operations other than those above, such as charges for goods sold

Postal Service Operating Revenues by Office

Unit: billion yen

Region	FY2000	FY2001	FY2002	FY2003	FY2004
Hokkaido	82.3	79.3	76.6	74.2	70.1
Tohoku	104.2	97.5	91.7	91.0	85.9
Kanto	320.6	318.6	311.8	194.2	187.3
Minami Kanto	—	—	—	112.7	107.3
Tokyo	569.5	575.5	560.1	536.3	538.4
Shinetsu	59.9	57.7	55.9	55.9	49.9
Hokuriku	38.6	36.4	35.0	34.2	32.9
Tokai	192.6	190.0	185.9	183.8	176.5
Kinki	350.9	333.6	320.5	311.5	301.3
Chugoku	112.1	110.3	107.4	106.2	102.0
Shikoku	51.8	49.8	46.7	45.5	44.4
Kyushu	151.5	149.7	147.6	146.7	143.2
Okinawa	12.4	12.2	12.3	12.4	12.5
Head office	2.2	2.2	0.2	1.7	3.9
Total	2,048.6	2,012.8	1,951.7	1,906.3	1,855.6

Note 1: Above amounts are receipts and include consumption tax.

Note 2: Amounts for the Kanto region between fiscal 2000 and fiscal 2002 include those for the Minami Kanto region.

Note 3: Revenues at the head office include those from fees for advertising postcards for all parts of Japan, and fees for the handling of election postcards and others.

2. Overview of Postal Savings Service

BALANCE OF POSTAL SAVINGS

The balance of postal savings has continued to fall since peaking at the end of fiscal 1999 due to the large volume of Teigaku Savings reaching maturity in fiscal 2000-2001. The balance at the end of fiscal 2004 was 214 trillion yen, a decline of 13 trillion yen, or 5.8%, compared to the end of the previous fiscal year.

Unit: billion yen

Classification	FY2001	FY2002	FY2003	FY2004
Ordinary Savings	48,037.2	51,063.9	53,750.7	55,705.6
Collection Savings	530.8	476.3	405.0	334.0
Teigaku Savings	175,895.6	167,861.9	160,189.8	146,440.1
Time Savings	14,868.0	13,834.2	13,026.9	11,660.1
Housing Collection Savings	3.0	2.5	2.0	1.5
Education Collection Savings	7.2	7.6	7.7	7.6
Total	239,341.8	233,246.5	227,382.0	214,149.0

Note 1: The figures given in the financial statement are not consistent as the balance includes unpaid interest on postal savings.

Note 2: Ordinary Savings includes New Ordinary Savings, while Teigaku Savings includes Teigaku Savings for Wage Earner's Property Accumulation.

MAIN SERVICE TRANSACTIONS

In fiscal 2004, there were 1,571.70 million postal giro transactions, up 3.5% or 53.31 million from the previous year, and 40.98 million postal money order transactions, down 5.8% or 2.52 million. Meanwhile, the number of affiliated service transactions, including ATM tie-up transactions, increased steadily. There were 62.883 million ATM entrustment handling transactions (See Note 1), up 14.1% or 7.788 million from a year earlier, and 77.112 million ATM customer handling transactions (See Note 2), up 49.1% or 25.402 million. Amid persistently ultra-low interest rates, counter sales of government bonds jumped 40.4% or 710.5 billion yen to 2.4691 trillion yen, due to sales efforts at post offices.

Note 1: ATM entrustment handling transactions

The handling of deposits, payments, cashing, balance inquiries and cashing inquiries at postal savings ATMs and CDs nationwide using cash cards of financial institutions, such as banks, insurance companies, securities companies or credit card companies which have operational tie-ups with Japan Post (hereinafter referred to as "affiliated financial institutions").

Note 2: ATM customer handling transactions

The handling of ordinary postal savings deposits, repayments and balance inquiries at the ATMs/CDs of affiliated financial institutions using postal savings cash cards.

Postal Money Orders and Postal Giro

Unit: transactions in thousands, billion yen

Classification	FY2001		FY2002		FY2003		FY2004	
	Number of transactions	Amount	Number of transactions	Amount	Number of transactions	Amount	Number of transactions	Amount
Postal money orders	43,070	475.5	42,709	371.5	43,505	324.7	40,985	231.7
Postal giro	1,398,808	67,371.8	1,451,249	67,632.5	1,518,390	70,615.9	1,571,695	74,422.6
Inpayments	1,176,602	31,042.3	1,211,512	30,742.4	1,247,670	30,812.9	1,283,953	32,993.2
Transfers	29,121	7,978.5	36,979	8,332.3	49,046	9,384.7	58,047	9,633.2
Outpayments	193,085	28,351.0	202,757	28,557.8	221,674	30,418.3	229,695	31,796.2

Affiliated Services

Unit: transactions in thousands, billion yen

Classification	FY2001		FY2002		FY2003		FY2004	
	Number of transactions	Amount	Number of transactions	Amount	Number of transactions	Amount	Number of transactions	Amount
Transactions using ATMs and cash dispensers	61,583	3,796.2	79,009	4,762.4	106,805	6,213.2	139,995	7,778.8
At post offices with cash cards issued by private banking institutions	30,842	3,106.0	43,331	3,945.1	55,095	5,091.5	62,883	6,146.6
At private banking institutions with Postal Savings cash cards	30,741	690.2	35,678	817.3	51,710	1,121.7	77,112	1,632.2
Mutual remittances	74	609.8	164	927.7	220	1,321.4	251	1,856.2

Counter Sales of Government Bonds

Unit: billion yen

Classification	FY2001		FY2002		FY2003		FY2004	
	Underwritten	Sold	Underwritten	Sold	Underwritten	Sold	Underwritten	Sold
Long-term government bonds	200.0	138.2	200.0	199.6	199.5	172.0	200.0	199.6
Medium-term government bonds	3,625.0	1652.5	1,747.4	1,313.4	1,598.6	1,187.7	1,598.4	1,454.0
Discount government bonds	70.2	53.8	100.0	52.5	—	—	—	—
Bonds for individuals	—	—	50.0	49.9	400.0	398.8	825.0	815.4
Total	3,895.2	1,844.5	2,097.4	1,615.4	2,198.1	1,758.6	2,623.4	2,469.1

3. Overview of Postal Life Insurance Service

NEW POLICIES

1) New Policies for Fiscal 2004

The number of new insurance policies fell 9.7% or 375,000 year-on-year to 3.50 million, and the insured amount dropped 9.9% to 1.0936 trillion yen to 9.9146 trillion yen.

The number of new annuity insurance policies declined 4.5% or 18,000 from the previous year to 387,000, and the annuity amount dropped 3.7% or 5.9 billion yen to 154.8 billion yen.

2) Policies in Force at the End of Fiscal 2004

The number of policies in force was 65.40 million at the end of fiscal 2004, down 4.5% or 3.10 million from a year earlier, and the insured amount totaled 178.4638 trillion yen, down 3.7% or 6.8145 trillion yen.

The number of annuity insurance policies in force was 7.24 million as of the end of fiscal 2004, down 1.0% or 70,000 from the previous year, and the annuity amount rose 0.8% or 19.3 billion yen to 2.5830 trillion yen.

New Policies of Life Insurance by Type

Unit: thousand items, billion yen, rounded for figures less than a unit

Policy Type		FY2001		FY2002		FY2003		FY2004	
		Number of policies	Insured amount	Number of policies	Insured amount	Number of policies	Insured amount	Number of policies	Insured amount
Whole Life Insurance	Ordinary Whole Life Insurance	233	494.4	180	376.5	207	481.9	403	1,058.3
	Special Whole Life Insurance	525	1,247.9	462	1,097.3	328	781.4	212	528.9
	Whole Life Insurance with Nursing Subsidy	0	1.3	0	0.8	0	0.6	0	0.5
Term Insurance	Ordinary Term Insurance	4	14.8	2	10.6	2	11.1	2	7.9
	Workplace Insurance	16	43.2	9	22.9	7	18.6	5	13.7
Endowment Insurance	Ordinary Endowment Insurance	2,147	5,346.9	1,888	4,580.2	1,642	3,827.5	1,408	3,380.5
	Endowment Insurance with Living Benefit	12	20.9	4	7.0	—	—	—	—
	Special Endowment Insurance	1,466	6,509.2	1,487	6,494.3	1,153	4,983.9	979	4,093.0
	Designated Endowment Insurance	26	48.4	25	46.1	27	49.4	27	48.8
	Educational Endowment Insurance	583	909.6	512	792.6	449	742.8	416	690.5
	Adult Insurance	64	87.6	47	64.9	—	—	—	—
Family Insurance	Asset Accumulation Annuity Endowment Insurance	0	0.0	0	0.0	—	—	—	—
Asset Accumulation Insurance	Husband-and-Wife Insurance	1	2.5	1	2.9	1	2.7	1	1.8
	Asset Accumulation Deposit Savings Insurance	13	22.0	3	4.5	1	1.5	1	2.0
Whole Life Insurance with Whole Life Annuity	Asset Accumulation House Savings Insurance	0	0.4	0	0.1	0	0.1	0	0.1
	Whole Life Insurance with Whole Life Annuity	0	1.8	0	1.7	0	1.8	1	2.6
Educational Endowment Insurance with Scholarship Annuity		101	178.1	78	135.4	53	100.0	45	86.1
Husband-and-Wife Insurance with Husband-and-Wife Annuity		0	0.0	•	•	0	0.0	0	0.1
Total		5,193	14,929.0	4,698	13,637.6	3,875	11,008.2	3,500	9,914.6

Note 1: Total for fiscal 2003 includes policies for discontinued products concluded in the relevant fiscal year.

Note 2: The mark "•" shows that the corresponding figure is unavailable.

New Annuity Policies by Type

Unit: thousands items, million yen, rounded for figures less than a unit

Policy Type		FY2001		FY2002		FY2003		FY2004	
		Number of policies	Annuity amount	Number of policies	Annuity amount	Number of policies	Annuity amount	Number of policies	Annuity amount
Whole Life Annuity	Immediate Whole Life Annuity	4	1,243	3	1,009	2	515	1	438
	Deferred Whole Life Annuity	32	12,264	23	8,892	15	5,707	14	5,304
	Whole Life Annuity with Additional Nursing Annuity	0	2	0	3	0	8	0	3
	Asset Accumulation Whole Life Annuity	0	0	•	•	•	•	0	0
Term Annuity	Immediate Term Annuity	168	63,093	155	57,955	113	40,664	101	36,444
	Deferred Term Annuity	338	142,028	320	135,075	275	113,742	270	112,555
Husband-and-Wife Annuity	Immediate Husband-and-Wife Annuity	0	2	0	2	0	3	0	2
	Deferred Husband-and-Wife Annuity	0	19	0	16	0	53	0	46
	Special Husband-and-Wife Annuity	0	5	0	2	—	—	—	—
Total		542	218,655	501	202,953	405	160,693	387	154,792

Note 1: Total for fiscal 2003 includes policies for discontinued products concluded in the relevant fiscal year.

Note 2: • means there is no correspondent number count.

Life Insurance Policies in Force by Type

Unit: ten thousand items, billion yen, rounded for figures less than a unit

Policy Type		FY2001		FY2002		FY2003		FY2004	
		Number of policies	Insured amount	Number of policies	Insured amount	Number of policies	Insured amount	Number of policies	Insured amount
Whole Life Annuity	Ordinary Whole Life Insurance	1,231	26,278.9	1,241	26,764.7	1,241	27,059.6	1,250	27,673.4
	Special Whole Life Insurance	557	11,205.5	550	11,171.4	547	11,259.9	563	11,886.9
	Special Whole Life Insurance	674	15,040.3	690	15,560.4	693	15,767.5	686	15,755.1
Term Insurance	Workplace Insurance	24	618.5	20	503.5	16	410.5	13	342.0
	Workplace Insurance	22	526.2	18	420.5	14	321.6	11	262.7
Endowment Insurance	Ordinary Endowment Insurance	6,214	170,186.4	5,799	162,313.6	5,397	153,451.4	5,087	146,209.6
	Ordinary Endowment Insurance	3,229	76,925.8	2,913	70,338.2	2,630	63,932.1	2,438	59,663.3
	Endowment Insurance with Living Benefit	540	11,387.8	484	10,138.5	439	9,150.3	402	8,315.5
	Special Endowment Insurance	1,301	62,503.8	1,337	63,490.6	1,337	63,031.7	1,323	61,843.2
	Designated Endowment Insurance	6	112.3	8	151.9	11	193.3	13	232.7
Educational Endowment Insurance	1,033	17,811.9	973	17,023.6	914	16,229.2	860	15,449.8	
Family Insurance	26	723.2	14	458.9	10	353.5	8	298.2	
Asset Accumulation Savings Insurance	16	292.8	6	106.1	5	73.0	3	41.9	
Whole Life Insurance with Whole Life Annuity	13	733.5	13	719.8	13	708.1	13	700.2	
Educational Endowment Insurance with Scholarship Annuity	170	3,203.9	170	3,212.1	168	3,188.4	166	3,165.1	
Husband-and-Wife Insurance with Husband-and-Wife Annuity	1	35.5	1	34.6	1	33.8	1	33.4	
Policies Dating From May 1949 or Earlier	0	0.0	0	0.0	0	0.0	0	0.0	
Total		7,695	202,072.7	7,264	194,113.2	6,850	185,278.4	6,540	178,463.8

Annuity Policies in Force by Type

Unit: thousand items, million yen, rounded for figures less than a unit

Policy Type		FY2001		FY2002		FY2003		FY2004	
		Number of policies	Annuity amount	Number of policies	Annuity amount	Number of policies	Annuity amount	Number of policies	Annuity amount
Whole Life Annuity	Whole Life Annuity with Additional Nursing Annuity	1,488	472,886	1,484	471,439	1,474	467,670	1,465	464,395
	Whole Life Annuity with Additional Nursing Annuity	2	910	2	890	2	870	2	854
	Asset Accumulation Whole Life Annuity	1	191	1	171	1	166	1	162
Term Annuity	5,702	1,943,087	5,784	2,033,265	5,707	2,059,380	5,644	2,082,121	
Husband-and-Wife Annuity	135	37,233	134	36,926	134	36,689	133	36,524	
Policies Dating From August 1981 or Earlier	0	2	0	2	0	2	0	2	
Total		7,326	2,453,209	7,402	2,541,633	7,314	2,563,742	7,241	2,583,041

POLICYHOLDERS' DIVIDEND

As for policyholders' dividend for fiscal 2005, the company has decided to set aside 127.3 billion yen in the policyholders' dividend reserve, on the basis of the dividend standards pledged in the policy conditions, and pay dividend to policyholders, beginning on April 1, 2005.

2

Financial Condition

1. Japan Post

PROFIT AND LOSS

Ordinary Income, Ordinary Expenses and Net Ordinary Income

In the year ended March 31, 2005, Japan Post strove to ensure earnings in the postal, postal savings and postal life insurance services as well as to reduce costs, under a harsh business environment. However, the overall company saw both ordinary income and net ordinary income decrease from the previous year.

Japan Post posted ordinary income of 1,890.5 billion yen in the postal service, 4,095.0 billion yen in the postal savings service, and 14,647.6 billion yen (See Note) in the postal life insurance service. Japan Post overall recorded 20,633.3 billion yen in ordinary income, down 3,969.0 billion yen from the previous year's 24,602.3 billion yen. ordinary expenses for the company decreased 3,303.2 billion yen from previous year's 22,053.4 billion yen to 18,750.2 billion yen, thanks to efforts to slash expenses, including procurement costs. However, net ordinary income declined 665.7 billion yen to 1,883.0 billion yen from previous year's 2,548.8 billion yen.

Note: Ordinary income for the postal, postal savings and postal life insurance services differ from those in the "Business Results" table below, due to offsetting and the elimination of transactions between these services as internal transactions within the corporation.

Special Gains and Special Losses

In fiscal 2004, Japan Post booked 30.9 billion yen in extraordinary income derived mainly from the partial revision of assets recorded on the balance sheet at the end of the previous year. Meanwhile, special losses were 548.8 billion yen, including losses on disposal of premises and equipment as well as 521.3 billion yen in transfers to the price fluctuation reserve in the postal life insurance service.

Net Income

Japan Post overall recorded a net income of 1,237.8 billion yen in the year under review, down 1,063.9 billion yen from previous year's 2,301.8 billion yen, as a result of incorporating extraordinary profit and losses into net ordinary income, and an additional 127.3 billion yen transfer to the policyholders' dividend reserve in the postal life insurance service. All the net income will be added to the reserve fund as appropriation of retained earnings, as in the previous year, pursuant to Article 36, Paragraph 1 of the Japan Postal Public Corporation Law.

Net income fell by 1,063.9 billion yen from the previous year, mainly because money trust management income in the postal savings service was 143.4 billion yen in fiscal 2004, down from 1,158.6 billion yen posted in the preceding year.

Business Results

Unit: billion yen

		Japan Post overall (Note 1)	Postal service	Postal savings	Postal life insurance
Ordinary income	FY2004	[-3,969.0] 20,633.3	[-39.2] 1,932.9	[-1,772.4] 4,098.9	[-2,192.7] 14,665.0
	FY2003	24,602.3	1,972.2	5,871.4	16,857.7
Ordinary expenses	FY2004	[-3,303.2] 18,750.2	[-19.9] 1,906.7	[-725.2] 2,875.4	[-2,593.4] 14,031.7
	FY2003	22,053.4	1,926.7	3,600.6	16,625.2
Net Ordinary income	FY2004	[-665.7] 1,883.0	[-19.3] 26.2	[-1,047.2] 1,223.5	[400.7] 633.3
	FY2003	2,548.8	45.5	2,270.7	232.5
Net income	FY2004	[-1,063.9] 1,237.8	[2.0] 28.3	[-1,065.9] 1,209.5	(Note3) -
	FY2003	2,301.8	26.3	2,275.5	-

Note 1: Discrepancies between the total of figures for each service and the figures for Japan Post overall are due to the offsetting and elimination of transactions between the postal, postal savings, and postal life insurance services as internal transactions within the corporation.

Note 2: The figures in square brackets for "FY2004" represent changes from the previous fiscal year.

Note 3: In the postal life insurance service, internal reserves (in the form of price fluctuation reserves and contingency reserves) increased by 551.7 billion yen (in fiscal 2003, 4.1 billion yen was added to internal reserves [in the form of a price fluctuation reserve]).

ASSETS AND LIABILITIES

Assets

The total assets of Japan Post stood at 387,872.2 billion yen at the end of fiscal 2004, down 16,319.4 billion yen from the previous year's 404,191.6 billion yen. The main breakdown of this consists of 8,642.1 billion yen in cash and deposits, 217,277.5 billion yen in marketable securities, 12,318.1 billion yen in money held in trusts, 117,611.9 billion yen in deposits to the fiscal loan fund, 27,158.6 billion yen in loans, 3,392.7 billion yen in premises and equipment, 875.2 billion yen in other assets (557.4 billion yen in uncollected income, 112.9 billion yen in uncollected premium, 10.7 billion yen in accounts due, and 124.9 billion yen in intangible fixed assets and the like).

The decrease of 16,319.4 billion yen in the total assets is attributable chiefly to a fall in deposits to the fiscal loan fund because of maturity.

Liabilities

At the end of fiscal 2004, the total liabilities of Japan Post stood at 381,732.9 billion yen, down 17,851.1 billion yen from 399,584.1 billion yen in a year earlier, which consisted mainly of 210,908.6 billion yen in postal savings, 118,689.9 billion yen in policy reserve, 38,200.0 billion yen in borrowings, and 2,727.7 billion yen in employees retirement benefits reserve.

17,851.1 billion yen decline in the total liabilities was ascribed chiefly to a fall in the balance of postal savings by 9,141.2 billion yen and a repayment of 5,000.0 billion yen, which was borrowed for investment management from the fiscal loan fund.

Capital

Total capital was 6,139.2 billion yen at the end of fiscal 2004, up 1,531.7 billion yen from the previous year's 4,607.5 billion yen, due to the booking of 3,539.7 billion yen in retained earnings, including 1,237.8 billion yen in net income, and 1,330.7 billion yen in net unrealized losses on securities, in addition to 1,268.8 billion yen in capital at the time of establishment. Accordingly, the capital ratio (See Note) rose 0.5 percentage points from the previous year, to 1.6%.

Note: Capital ratio = (Total capital at the fiscal year-end/total assets at the fiscal year-end) × 100

Financial Conditions

Unit: billion yen

		Japan Post overall (Note 1)	Postal service	Postal savings	Postal life insurance
Total assets	FY 2004	[-16,319.4] 387,872.2	[-53.8] 2,230.3	[-15,688.0] 264,864.9	[-643.1] 121,268.8
	FY 2003	404,191.6	2,284.2	280,553.0	121,911.9
Capital	FY 2004	[1,531.7] 6,139.2	[28.3] (523.5)	[1,605.8] 5,272.1	[-102.4] 1,390.6
	FY 2003	4,607.5	(551.8)	3,666.3	1,493.1

Note 1: Discrepancies between the total of figures for each service and the figures for Japan Post overall are due to offsetting and elimination of transactions between the postal service, postal savings and postal life insurance as internal transactions within the corporation.

Note 2: The figures in square brackets for "FY2004" represent changes from the previous fiscal year.

Cash Flows

Unit: billion yen

		Japan Post overall (Note 1)	Postal service	Postal savings	Postal life insurance
Cash flows from operating activities	FY 2004	[-3,474.7] (16,360.1)	[-101.0] 26.4	[-4,689.1] (16,246.0)	[2,245.4] (236.1)
	FY 2003	(12,885.4)	127.4	(11,556.8)	(2,481.6)
Cash flows from investing activities	FY 2004	[6,649.3] 15,900.1	[2.4] (25.1)	[6,840.4] 15,690.4	[-195.5] 258.1
	FY 2003	9,250.8	(27.6)	8,850.0	453.6
Cash flows from financial activities	FY 2004	[482.6] (143.1)	[451.4] (0.1)	[-16.9] (32.5)	[-8.7] (23.7)
	FY 2003	(625.8)	(451.5)	(15.6)	(14.9)
Cash and cash equivalents at the end of the year	FY 2004	[-602.5] 8,642.1	[1.1] 183.4	[-587.5] 6,088.1	[-1.7] 2,390.5
	FY 2003	9,244.7	182.2	6,675.7	2,392.3

Note 1: Discrepancies between the total of figures for each service and the figures for Japan Post overall are due to offsetting and elimination of transactions between the postal service, postal savings and postal life insurance as internal transactions within the corporation.

Note 2: The figures in square brackets for "FY2004" represent changes from the previous fiscal year.

2. Postal Service

PROFIT AND LOSS

Operating Income

Operating income for postal services was 1,924.8 billion yen in the year under review, down 41.8 billion yen from 1,966.6 billion yen in the previous year. This figure consisted mostly of postal service operating income, or postal service fees, which came to 1,838.9 billion yen, down 40.0 billion yen from a year earlier, in addition to revenue from sales of revenue stamps, which posted 67.8 billion yen, down 1.3 billion yen.

The total volume of mail handled in fiscal 2004 was 25,004.33 million, down 2.3% from the preceding year, which included 24,923.25 million items of domestic mail, down 2.3%, and 81.08 million items of international mail, down 3.7%.

Letter post, which accounts for 94% of the total domestic mail handled, decreased 5.3% year-on-year to 23,493.5 million items, due to the advance of IT technology and intensifying competition from private sector operators.

On the other hand, ordinary parcels jumped 17.8% year-on-year to 214.69 million items, exceeding the all-time high of 184.72 million items recorded in 1970. Booklet parcels soared by 135.6% year-on-year. These favorable results are attributable to the renewal of the Yu-Pack service (including a shift in the basis of charges, from weight to size, and an enhancement in the collection system), an improvement in services, including reductions in charges for booklet parcels, and proactive sales efforts.

Operating Costs, SG&A Expenses and Net Operating Income

In the year under review, operating prime costs for postal services were 1,794.1 billion yen, down 19.4 billion yen from the previous year's 1,813.6 billion yen. This figure includes personnel expenses of 1,369.5 billion yen, up 18.2 billion yen, and other costs of 424.6 billion yen, down 37.7 billion yen year-on-year.

Sales and general administrative expenses rose 7.3 billion yen, from 92.5 billion yen in the previous year to 99.8 billion yen, and this is broken down into 51.2 billion yen in personnel expenses, down 0.3 billion yen, and 48.6 billion yen in other expenses, up 7.7 billion yen.

In the year under review, costs increased due to a renewed Yu-Pack service aimed at increasing competitiveness, but at the same time, the corporation implemented various measures to curtail a rise in costs, including cutting full-time employees through the promotion of automation and a transfer of full-time staff to part-time work, an improvement in productivity based on the JPS, and a reduction in outsourcing expenses. The operating expense ratio (See Note) was 98.4%.

As a result, net operating income declined 29.7 billion yen from 60.5 billion yen in the previous year, to 30.7 billion yen.

Note: Operating expense ratio = ((Operating prime costs + SG&A costs)/Operating revenue) × 100

Non-operating Income, Non-operating Expenses and Net Ordinary Income

Non-operating income increased 2.5 billion yen from the preceding year's 5.5 billion yen to 8.1 billion yen, which consists mainly of income from rental property. Non-operating expenses dropped 7.8 billion yen from 20.5 billion yen in the previous year, to 12.7 billion yen, which is accounted for chiefly by interest expenses that are associated with borrowings and lease obligations.

As a result, Net ordinary income was 26.2 billion yen, down 19.3 billion yen from 45.5 billion yen a year earlier.

Special Gains and Special Losses

Special gains was 6.8 billion yen, which is broken down mainly into profit derived from a partial revision of assets recorded on the balance sheet at the end of the previous fiscal year. Meanwhile, special losses posted 4.7 billion yen, consisting mainly of losses from the disposal of fixed assets.

Net Income

As a result of incorporating special gains and losses into Net ordinary income, the net income in the postal service was 28.3 billion yen for fiscal 2004, up 2.0 billion yen from the previous year's 26.3 billion yen.

Outlook for Fiscal 2005

Aiming to increase operating revenue, Japan Post will improve customer services and operational quality, while strengthening marketing capabilities by improving related systems.

The entire corporation will continue striving to reduce overall costs, by implementing measures for reducing personnel and non-personnel expenses, as well as reforming the operational base and allowing the JPS, which was adopted at post offices nationwide in fiscal 2004, to take root and then striving to improve it further. Through these efforts, Japan Post aims to secure 25.0 billion yen in net income.

ASSETS AND LIABILITIES

Assets

Total assets for the postal service stood at 2,230.3 billion yen as of the end of fiscal 2004, down 53.8 billion yen from the previous year's 2,284.2 billion yen.

Of this total, current assets were 312.4 billion yen, up 9.9 billion yen, due mainly to an increase in the trade of accounts receivable of 10.6 billion yen. Fixed assets were 1,917.9 billion yen, down 63.8 billion yen.

Liabilities

Total liabilities stood at 2,753.9 billion yen as of the end of fiscal 2004, down 82.2 billion yen from 2,836.1 billion yen in the preceding year.

This figure included 1,052.4 billion yen in current liabilities, up 44.6 billion yen, chiefly because of a rise in short-term loans by 110.0 billion yen. Long-term liabilities were 1,701.4 billion yen, down 126.8 billion yen, due mainly to a drop in lease obligations by 83.1 billion yen.

Capital

Total capital was minus 523.5 billion yen at the end of fiscal 2004, up 28.3 billion yen from the previous year, due to the booking of 54.6 billion yen in retained earnings including 28.3 billion yen in net income, in addition to a difference of assets and liabilities at the time of the establishment of Japan Post of minus 578.2 billion yen.

3. Postal Savings Service

PROFIT AND LOSS

Ordinary Income

Ordinary income for postal savings services were 4,098.9 billion yen in the year under review, down 1,772.4 billion yen from the previous year's 5,871.4 billion yen. Accounting for the majority of ordinary income, interest income decreased 766.4 billion yen to 3,822.9 billion yen from 4,589.4 billion yen in a year earlier, owing mainly to a drop in interest earned from deposits to the fiscal loan fund in the wake of repaying the deposits that matured.

Income from service transactions rose 9.6 billion yen from previous year's 85.0 billion yen, to 94.6 billion yen, due to the steady expansion in ATM tie-up and active efforts to sell government bonds.

Money trust management income is the main component of other operating income. This consists of holding shares through money trust from the perspective of diversifying medium- and long-term risk, and income stood at 143.4 billion yen in fiscal 2004, compared with 1,158.6 billion yen posted in fiscal 2003.

Ordinary Expenses and Net Ordinary Income

Ordinary expenses declined 725.2 billion yen from the preceding year's 3,600.6 billion yen to 2,875.4 billion yen in the year under review. Interest expenses, which account for the majority of ordinary expenses, fell 668.7 billion yen from previous year's 2,498.8 billion yen to 1,830.1 billion yen, chiefly because of a decrease in interest on postal savings as a result of a reduction in the balance of postal savings.

Other major ordinary expenses included general and administrative expenses (personnel and non-personnel expenses), which were 1,003.9 billion yen, down 49.8 billion yen thanks to an efficient use of non-personnel expenses that was achieved by cutting system-related costs and other measures. The expense ratio (See Note) was 0.45% in fiscal 2004.

As a result, net ordinary income stood at 1,223.5 billion yen, down 1,047.2 billion yen from previous year's 2,270.7 billion yen.

Note: Expense ratio = (General and administrative expenses/balance of postal savings (average end-of-month balance)) × 100

Cash Flows

Cash flows, which is the difference between interest income of 3,822.9 billion yen and interest expenses of 1,830.1 billion yen, is the basis of management in postal savings operations. Cash flows stood at 1,992.8 billion yen in fiscal 2004, down 97.7 billion yen from 2,090.6 billion yen in a year earlier.

While fund procurement costs stopped falling amid persistently ultra-low interest rates, spreads between fund procurement costs and investment yield are shrinking as bonds that were acquired when interest rates were relatively high are due for redemption.

Unit: %, billion yen

	FY 2003 (1)	FY 2004 (2)	Change (1-2)
Interest surplus (Investment yield-fund procurement costs)	0.75	0.72	(0.03)
Investment yield	1.65	1.42	(0.23)
Fund procurement costs	0.90	0.70	(0.20)
Cash flows (Interest income-interest expenses)	2,090.6	1,992.8	(97.7)

Special Gains and Special Losses

Special gains was 1.2 billion yen, which consisted mainly of tax refunds associated with investments. Meanwhile, special losses stood at 15.2 billion yen, which included losses on the disposal of premises and equipment.

Net Income

As a result of incorporating extraordinary profit and losses into net ordinary income, net income in the postal savings service was 1,209.5 billion yen for fiscal 2004, down 1,065.9 billion yen from previous year's 2,275.5 billion yen. The sharp decline in net income was attributable chiefly to a fall in money trust management income.

Income excluding money trust management income stood at 1,066.0 billion yen, compared with 1,116.8 billion yen posted in fiscal 2003.

Outlook for Fiscal 2005

In terms of service, Japan Post will live up to the trust of customers by enhancing customer services and improving the quality of operations, and maintaining and strengthening its customer base by raising customer satisfaction levels.

In terms of revenues, Japan Post will enhance asset and liability management (ALM), continuously carry out a stable investment of funds, primarily in domestic bonds, and add investment vehicles such as ABS (Asset Backed Securities). In addition to its continuous efforts to proactively sell government bonds, the corporation will aggressively sell trust funds, whose counter sales will be launched this autumn, aiming to increase revenues on fees and to make sales of them as its major earner of revenues on fees.

In terms of expenses, Japan Post will take measures to further reduce costs by taking into account cost effectiveness. Specifically, the corporation will simplify products and services and review its structure for implementing marketing activities.

Cash flows are expected to contract for the time being, partly as the balance of postal savings declines amid persistent ultra-low interest rates. However, Japan Post aims to secure 890.0 billion yen in net income by firmly establishing a risk management system and tackling the strategies described above.

Balance of postal savings: 207,000.0 billion yen (end of fiscal 2006)
 Fees and commissions: 99.3 billion yen
 Net income: 890.0 billion yen (excluding income and losses on money trust management)

ASSETS AND LIABILITIES

Assets

Assets for the postal savings service totaled 264,864.9 billion yen at the end of fiscal 2004, down 15,688.0 billion yen from the previous year's 280,553.0 billion yen. Of this total, deposits to the fiscal loan fund stood at 117,611.9 billion yen (See Note), down 38,483.5 billion yen from 156,095.4 billion yen in a year earlier, with money entrusted to the Ministry of Finance in the past progressively maturing. Securities were 132,546.1 billion yen, up 23,385.6 billion yen from previous year's 109,160.5 billion yen.

Note: The balance at the end of fiscal 2004 was 79,411.9 billion yen, excluding deposits corresponding to the former Fund to Cope with Financial Deregulation borrowings.

Liabilities

Total liabilities stood at 259,592.7 billion yen at the end of fiscal 2004, down 17,293.9 billion yen from the preceding year's 276,886.6 billion yen, and the main components of this figure were postal savings and borrowings (See Note).

The balance of postal savings (including unpaid interest rates on postal savings) has continued to decline since peaking at the end of fiscal 1999, registering 214,149.0 billion yen at the end of fiscal 2004, down 13,233.0 billion yen from 227,382.0 billion yen in a year earlier. This balance is falling at a steady pace.

Note: Borrowings refer to borrowing of funds for the operation of the former Fund to Cope with Financial Deregulation, and totaled 38,200.0 billion yen at the end of fiscal 2004.

Unit: billion yen

	End of FY2000	End of FY2001	End of FY2002	End of FY2003	End of FY2004
Postal savings balance	249,933.6	239,341.8	233,246.5	227,382.0	214,149.0
Amount of change	(10,036.6)	(10,591.8)	(6,095.3)	(5,864.5)	(13,233.0)

As for postal savings balance, figures are rounded to nearest 100 million yen.

Capital

Total capital was 5,272.1 billion yen at the end of fiscal 2004, up 1,605.8 billion yen from a year earlier. This was due to the booking of 3,485.0 billion yen in retained earnings, including 1,209.5 billion yen in net income, and 1,804.4 billion yen in the difference of assets and liabilities at the time of the establishment of Japan Post, as well as an improvement of 396.3 billion yen in net unrealized losses on securities (See Note 1).

Difference of assets and liabilities at the time of establishment of Japan Post: 1,804.4 billion yen
 Retained earnings: 3,485.0 billion yen
 (includes reserve fund: 2,275.5 billion yen)
 (includes net income: 1,209.5 billion yen)
 Net unrealized losses on securities: -17.2 billion yen
 Total capital: 5,272.1 billion yen



5,289.4 billion yen (See Note 2)

Amount necessary to cover main risks incurred in the management of postal savings operations and to ensure the soundness of management (Japan Postal Public Corporation Law, Article 37)
 End of fiscal 2004: 6,424.4 billion yen
 (balance of postal savings × 3%)

Note 1: Net unrealized losses on securities at the end of fiscal 2003: -413.6 billion yen
 Net unrealized losses on securities at the end of fiscal 2004: -17.2 billion yen
 Difference: 396.3 billion yen

Note 2: According to the Japan Postal Public Corporation Law, the amount necessary to ensure the financial soundness is the cumulative total of net profit and the difference of assets and liabilities at the time of the establishment of Japan Post. Net unrealized losses on securities are not included.

4. Postal Life Insurance Service

PROFIT AND LOSS

Ordinary Income

Ordinary income for postal life insurance services were 14,665.0 billion yen in fiscal 2004, down 2,192.7 billion yen from the previous year's 16,857.7 billion yen.

Insurance premiums decreased 624.9 billion yen from previous year's 12,291.5 billion yen to 11,666.5 billion yen due to a drop in the number of policies in force. Loans with high interest rates were repaid, while investment income declined 67.9 billion yen from previous year's 2,310.0 billion yen to 2,242.0 billion yen, affected by such factors as sustained low interest rates. In other ordinary income, 596.6 billion yen in return of policy reserve (a fall of 1,558.4 billion yen from the previous year's 2,155.0 billion yen) was recorded.

The policy reserve is set aside to provide for the payment of future claims payable, according to law. At the end of the previous fiscal year, the policy reserve was 114,877.9 billion yen, which decreased to 114,281.3 billion yen at the end of fiscal 2004 due to a decline in the number of policies in force. Hence, the difference of 596.6 billion yen was recorded as a return. This figure is obtained by subtracting 30.4 billion yen in the provision of contingency reserves built up as internal reserves, from the total of 196.7 billion yen in the return of policy reserves set aside based on calculations at the time of entry and 430.2 billion yen in the return of additional policy reserve set aside to cover a deficit caused by negative interest rate spread.

The additional policy reserve is a policy reserve that is set aside in addition to the amount calculated at the time of entry in order to cover a deficit caused by negative interest rate spreads expected in the future. It is set aside in advance to assign funds in case of negative interest rate spreads each fiscal year, enabling it to be automatically returned. In fiscal 2004, the amount automatically transferred was 430.2 billion yen. In fiscal 2003, such an amount was 440.2 billion yen, while 260.3 billion yen was set aside to cope with an expected negative interest rate spread, which increased due to a drop in interest rates. Meanwhile, in fiscal 2004, this addition did not occur as interest rates remained stable.

Ordinary Expenses and Net Ordinary Income

Ordinary expenses decreased 2,593.4 billion yen from 16,625.2 billion yen in a year earlier to 14,031.7 billion yen in fiscal 2004. Insurance reaching maturity declined compared with the previous year, and insurance claims and other insurance payments stood at 13,358.1 billion yen, down 2,509.5 billion yen from the previous year's 15,867.7 billion yen. Operating expenses were 559.4 billion yen, down 57.2 billion yen from 616.7 billion yen in a year earlier. This was due to cost cutting by Japan Post overall as well as a cut of 877 full-time employees resulting from a reduction in the number of field staff because of greater efficiency in the administration of premium collection, and efforts to reduce costs through a strategy review. The operating expense ratio (See Note) was 4.80% in fiscal 2004.

As a result, net ordinary income was 633.3 billion yen, up 400.7 billion yen from 232.5 billion yen in a year earlier.

Note: Operating expense ratio = (Operating expenses/Insurance premium income) × 100

Special Gains, Special Losses and Policyholders' Dividend Reserve

Special gains was 29.8 billion yen, which consisted mainly of income derived from the partial revision of assets recorded on the balance sheet at the end of the previous year. Meanwhile, special losses were 535.8 billion yen, including transfers to the price fluctuations reserve.

The full 127.3 billion yen obtained by incorporating special gains and losses into net ordinary income, was transferred to the policyholders' dividend reserve.

Three Profit Sources

An analysis of profit factors in terms of the three profit sources, which are the basic elements of the postal life insurance service, shows a mortality profit of about 780.0 billion yen and a loading profit of around 730.0 billion yen, but an interest loss of some 1,740.0 billion yen for fiscal 2004. This means that the total became a deficit of 223.9 billion yen, an improvement of 225.8 billion yen from a 449.8 billion yen deficit posted in the previous year. Meanwhile, the realizable amount was 679.0 billion yen (169.9 billion yen in the preceding year), due to a 430.2 billion yen (179.9 billion yen in the preceding year) return from the additional policy reserve, and the booking of a capital gain of 457.4 billion yen (502.4 billion yen in the preceding year) as a result of the firm share market. Of this amount, 127.3 billion yen (165.7 billion yen in the previous year) was transferred to the policyholders' dividend reserve and the remaining 551.7 billion yen (4.1 billion yen in the previous year) was set aside for internal reserves (in the form of price fluctuation reserves and contingency reserves).

Outlook for Fiscal 2005

Japan Post will enhance its marketing structure and improve marketing capabilities, aiming to secure 60.0 billion yen in new policy premiums (57.6 billion yen in fiscal 2004).

In investment, the corporation will conduct long-term, stable investment, primarily in domestic bonds, while engaging in appropriate ALM. Moreover, it will follow up fiscal 2004 by continuing to make operations efficient, by promoting greater efficiency in administration for the collection of premiums and reducing expenses by taking into account cost effectiveness.

Through these efforts, Japan Post expects to increase internal reserves (in the form of price fluctuation reserves and contingency reserves) by 55.0 billion yen in fiscal 2005.

ASSETS AND LIABILITIES

Assets

Total assets stood at 121,268.8 billion yen at the end of fiscal 2004, down 643.1 billion yen from the previous year's 121,911.9 billion yen. The main components in this figure were 84,731.3 billion yen in securities, up 3,060.5 billion yen from a year earlier, 23,898.5 billion yen in loans, down 856.7 billion yen, and 8,930.0 billion yen in money held in trust, down 2,788.7 billion yen.

Liabilities

Total liabilities were 119,878.1 billion yen at the end of fiscal 2004, down 540.6 billion yen from the preceding year's 120,418.8 billion yen. The majority of this was accounted for by the policy reserve, which stood at 114,281.3 billion yen, down 596.6 billion yen from a year earlier. The policy reserve included additional policy reserves of 8,394.2 billion yen, down 430.2 billion yen, and contingency reserves of 844.4 billion yen, up 30.4 billion yen.

Capital

Total capital came to 1,390.6 billion yen at the end of fiscal 2004, down 102.4 billion yen from a year earlier, due to the recording of 1,348.0 billion yen in net unrealized gains on securities in addition to 42.6 billion yen in difference of assets and liabilities at the time of establishment of Japan Post.

3

Fund Management

1. Postal Savings

INVESTMENT OF POSTAL SAVINGS FUNDS

(As of March 31, 2005)

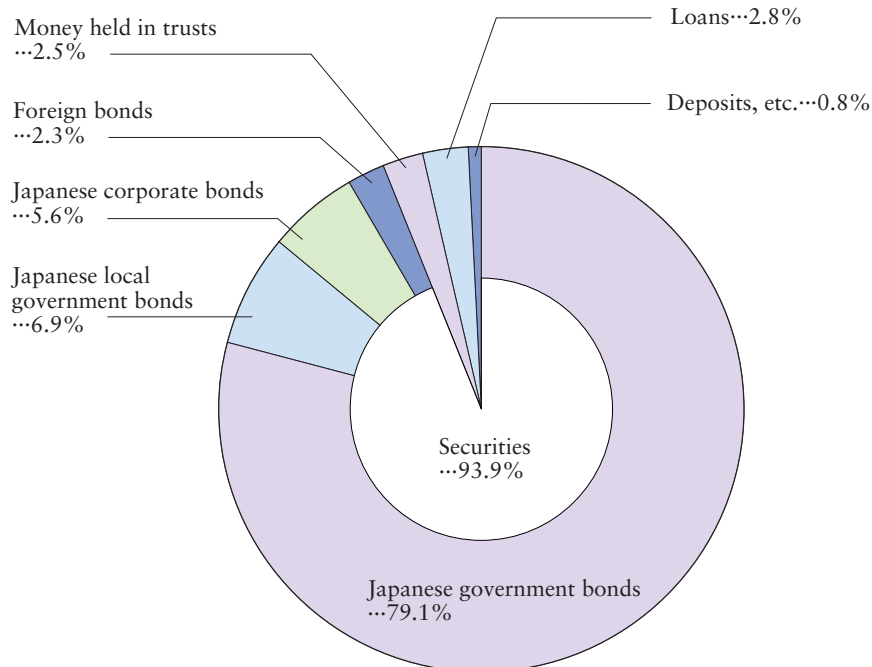
Classification	Balance of assets (billion yen)	Percentage (%)
Securities	126,540.3	93.9
Japanese government bonds	106,622.1	79.1
Japanese local government bonds	9,318.1	6.9
Japanese corporate bonds	7,486.1	5.6
Public corporation bonds, etc.	4,630.6	3.4
Foreign bonds	3,113.9	2.3
Money held in trusts	3,388.0	2.5
Loans	3,708.4	2.8
Loans to local governments	2,947.2	2.2
Loans to depositors, etc.	482.1	0.4
Loans to postal service	279.0	0.2
Deposits, etc.	1,117.8	0.8
Total	134,754.6	100.0

Note 1: Balance of assets for financial instruments is valuation according to accounting standards.

Note 2: Foreign bonds are bonds issued by overseas issuers, and include yen-dominated bonds.

Note 3: In addition to the amounts above, there is also 79,270.0 billion yen in entrusted money (excludes entrusted money corresponding to the former Special Fund to Cope with Financial Deregulation), making a total of 214,024.6 billion yen.

INVESTMENT OF POSTAL SAVINGS FUNDS, MARCH 31, 2005 134,754.6 BILLION YEN



2. Postal Life Insurance

INVESTMENT OF KAMPO FUNDS

(As of March 31, 2005)

Classification	Balance of assets (billion yen)	Percentage (%)
Securities	84,731.2	70.7
Japanese government bonds	57,529.2	48.0
Japanese local government bonds	6,522.0	5.4
Japanese corporate bonds, etc.	19,119.4	15.9
Public corporation bonds, etc.	16,095.6	13.4
Foreign bonds	1,560.5	1.3
Money held in trusts	8,930.0	7.4
Loans	23,898.5	19.9
Loans to local governments	19,364.5	16.1
Loans to public corporation, etc.	2,221.3	1.9
Loans to policyholders	2,143.3	1.8
Loans to postal service	169.3	0.1
Deposits, etc.	2,355.1	2.0
Total	119,915.0	100.0

Note 1: Discrepancies between balance of assets and funds are due to the application of market price to financial instruments to which market valuation applies in accordance with accounting standards.

Note 2: Foreign bonds are bonds issued by overseas issuers, and include yen-dominated bonds.

Note 3: The balance of assets are rounded down, and consequently the sum of these figures does not match the figure for Total.

INVESTMENT OF KAMPO FUNDS, MARCH 31, 2005 119,915.0 BILLION YEN

