

1 Highlights



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1 Highlights

1. Status of Operations

1. Overview of Postal Service

(1) VOLUME OF MAIL HANDLED

In fiscal 2006, the total volume of mail handled was 24,677.24 million items, down 0.6% or 141.38 million items from the previous year.

Annual per capita mail volume was 194 items, two items less than the previous fiscal year.

An overview according to mail category is as follows:

LETTER POST

First class (letters) and second class (postcards) mail comprising about 90% of the total volume of mail, amounted to 21,094.13 million items (first class: 11,048.39 million items, second class: 10,045.74 million items [including New Year's cards and election-related cards]), down 1.7% (for the total first and second class mail) from the previous fiscal year. Third class mail decreased (year-on-year decrease of 5.8%) to 587.65 million items, due mainly to a fall in the number of periodicals that are issued three times or more per month.

Fourth class mail totaled 29.82 million items (year-on-year decrease of 4.3%), chiefly because of a decreased number of academic publications.

Specially handled mail increased to 572.57 million items (year-on-year increase of 4.1%) in total, due to a rise in delivery-certified mails.

As a result, the total volume of letter post handled was 22,284.17 million items, down 381.94 million items from the previous fiscal year.

PARCEL POST

Under the slogan of Target 10 (a 10% share of the parcel delivery market), Japan Post strove to expand its share of general parcels in the small-item delivery market (total volume handled of private-sector home-delivery parcels and Japan Post's general parcels) by improving services and enhancing sales activities. As a result, the general parcels handled totaled 267.95 million items (up 8.6% from a year earlier), due to an increase in the use of this service by department stores and mail-order companies.

The volume of book parcels (including simplified parcels) handled amounted to 2,049.47 million items, (up 12.1% from the previous year), thanks to a rise in the use of this service by mail-order companies, and the like.

As a result, the total volume of parcel post handled was 2,317.41 million items, up 242.44 million items from a year earlier.

INTERNATIONAL MAIL

i. Outbound mail

The volume handled of letter post bound for overseas totaled 64.11 million items, (down 3.4% from the previous year), while that of international express mail (EMS) increased (up 4.1% from the previous year) to 10.07 million items.

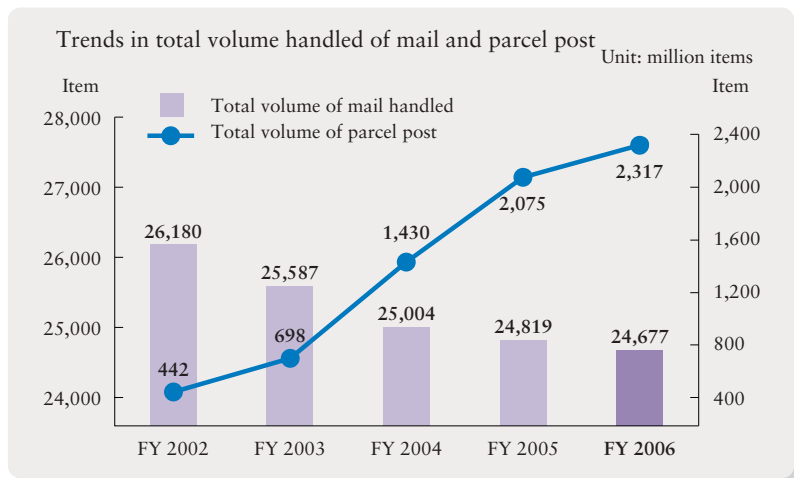
Outbound parcels handled amounted to 1.48 million items, (up 0.8% from the previous year).

As a result, the total volume handled of international mail bound for overseas was 75.66 million items, down 1.88 million items from the previous year.

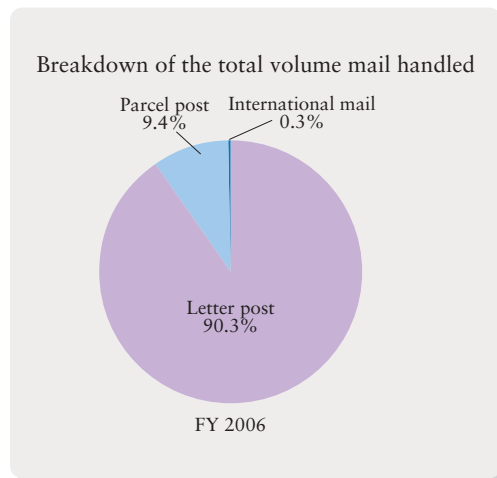
ii. Inbound mail

The volume handled of letter post from abroad totaled 194.75 million items, (down 4.2% from the previous year), that of inbound parcels amounted to 1.84 million items, (down 6.6% from the previous year), and that of EMS from overseas was 5.69 million items, (up 0.1% from the previous year). As a result, the total volume handled of international mail from abroad was 202.27 million items, down 8.62 million items from the previous year.

■ Total volume handled of mail and parcel post



■ Total volume of mail handled



(2) Postal Service Operating Revenues

In fiscal 2006, Postal Service operating revenues (customer revenues from postal service charges, excluding internal use by Japan Post) were 1.8543 trillion yen, down 0.1% or 1.3 billion yen from the previous year. A breakdown by type of revenue is as follows.

STAMP REVENUES

Stamp revenues (revenues from sales of postage stamps) were 275.9 billion yen (down 5.0% from the previous year). The amount comprises of 264.5 billion yen in revenues from sales of ordinary stamps (down 3.4% from the previous year), due to a decline in the use of letters, and 11.4 billion yen in revenues from sales of special stamps, which are issued in commemoration of various events, etc., (down 31.5% from the previous year), because of reduced issuance.

POSTCARD REVENUES

Revenues from sales of postcards, letter-cards, international postcards, air letters and standard-size parcels (EXPACK500) were 251.9 billion yen (down 3.6%). The amount reflects 72.5 billion yen in revenues from sales of ordinary postcards (including summer greeting postcards, picture postcards and postcards with advertisements), (down 3.9%), and 179.4 billion yen in revenues from sales of New Year's cards, (down 3.5%).

DEFERRED-PAYMENT FEES

Deferred-payment fees (revenues from fees for deferred-payment postal items) amounted to 949.6 billion yen, (up 4.2%), owing mainly to an increase in the use of month-discount mails.

NON-AFFIXED POSTAGE FEES

Non-affixed postage fees (revenues from fees for postage items with non-affixed postage fees) were 364.1 billion yen, (down 3.7%), due chiefly to customers' shift to deferred-payment fees.

MISCELLANEOUS POSTAL SERVICE REVENUES

Miscellaneous postal service revenues (revenues from postal business arising from postal operations other than those above, such as charges for goods sold) were 12.8 billion yen, (down 13.7%).

1 Highlights

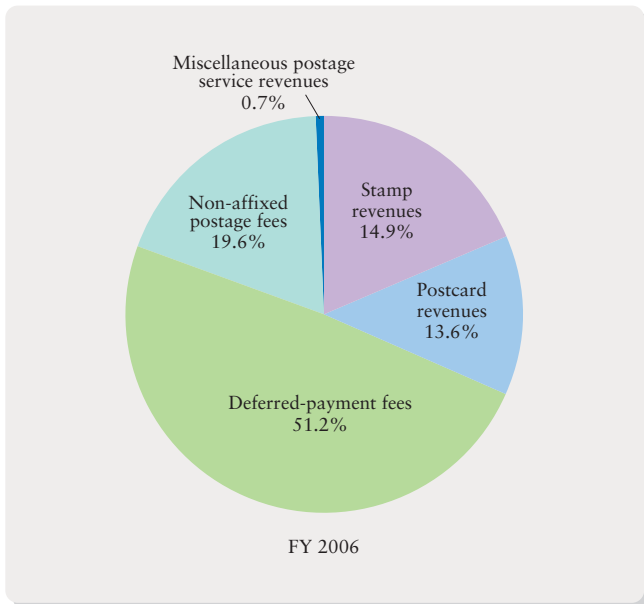
2 Topics

3 Management Efforts

4 About Japan Post

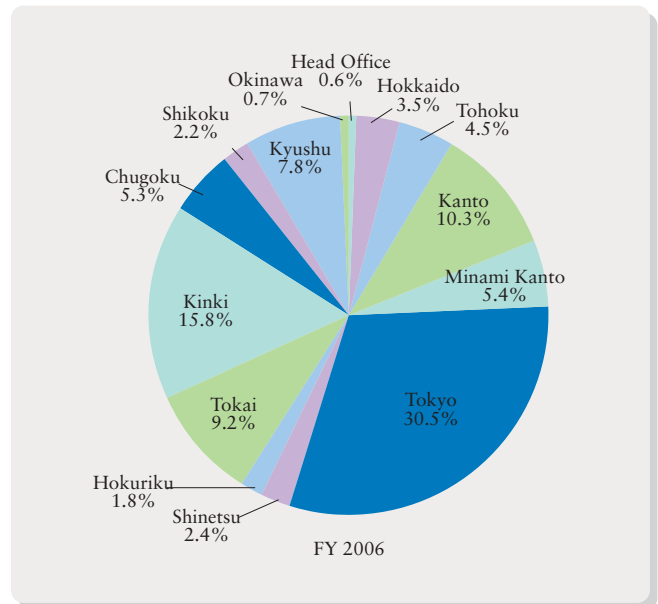
5 Data

Breakdown of operating revenues



Note: Figures are rounded off to one decimal place.

Breakdown of operating revenues by branch



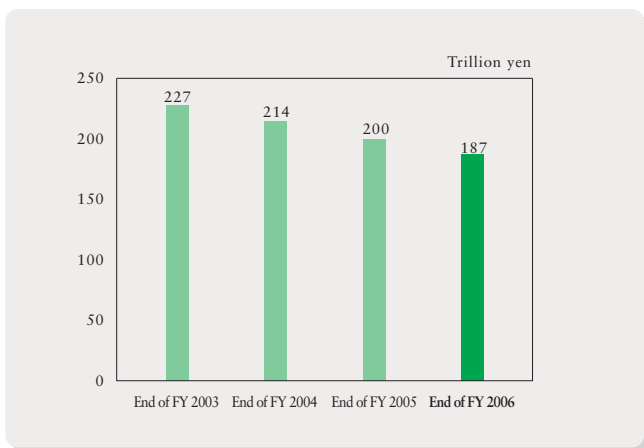
Note: Figures are rounded off to one decimal place.

2. Overview of Postal Savings Service

(1) BALANCE OF POSTAL SAVINGS

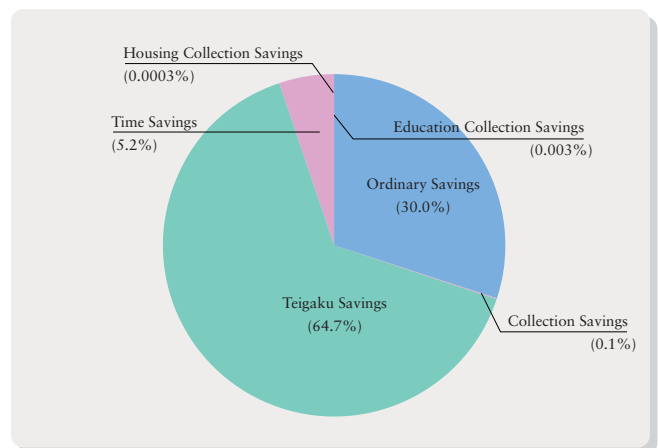
The balance of postal savings has continued to decrease since peaking at the end of fiscal 1999 due to the large volume of Teigaku Savings reaching maturity in fiscal 2000-2001. The balance at the end of fiscal 2006 was 187 trillion yen, down 6.5% or 13 trillion yen from a year earlier.

Trends in the balance of postal savings



Balance of postal savings by type

FY 2006



Classification	Unit: billion yen			
	End of FY 2003	End of FY 2004	End of FY 2005	End of FY 2006
Ordinary Savings	53,750.7	55,705.6	56,355.4	56,108.4
Collection Savings	405.0	334.0	282.9	227.9
Teigaku Savings	160,189.8	146,440.1	135,393.1	120,994.7
Time Savings	13,026.9	11,660.1	7,962.9	9,631.7
Housing Collection Savings	2.0	1.5	1.1	0.6
Education Collection Savings	7.7	7.6	7.0	5.9
Total	227,382.0	214,149.0	200,002.3	186,969.2

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 include New Ordinary Savings, while Teigaku Savings include Teigaku Savings for Wage Earners' Property Accumulation.

(2) MAIN SERVICE TRANSACTIONS

In fiscal 2006, there were 1,639.68 million postal giro transactions, up 1.4% or 22.82 million from the previous year, and 43.92 million postal money order transactions, down 9.1% or 4.41 million. Meanwhile, the number of affiliated service transactions, including ATM tie-up transactions, showed that there were 69,149 thousand ATM entrustment handling transactions (See Note 1), down 2.0% or 1,375 thousand from a year earlier, and 99,672 thousand ATM customer handling transactions (See Note 2), up 9.0% or 8,209 thousand. Amid persistently ultra-low interest rates, counter sales of government bonds declined 10.3% or 289.9 billion yen year-on-year to 2.5371 trillion yen, despite sales efforts at post offices.

The sales volume of investment trusts, which Japan Post began handling in fiscal 2005, amounted to 1,191 thousand units or 595.5 billion yen, an increase of 614.5% or 1,025 thousand units and an increase of 397.7% or 475.8 billion yen, respectively, from a year earlier. The net asset balance was 706.9 billion yen, up 490.9% or 587.2 billion from the previous year.

Note 1: ATM entrustment handling transactions

The handling of deposits, payments, cashing, balance inquiries and cashing inquiries at Postal Savings ATMs and cash dispensers 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 institutions").

Note 2: ATM customer handling transactions

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

■ Postal money orders and postal giros

Unit: transactions in ten thousands, billion yen

Classification	FY2003		FY2004		FY2005		FY2006	
	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
Postal money orders	4,350	324.7	4,098	231.7	4,833	208.8	4,392	165.0
Postal giros	151,839	70,615.9	157,170	74,422.6	161,686	81,340.7	163,968	83,734.8
In-payments	124,767	30,812.9	128,395	32,993.2	131,943	35,694.5	132,446	37,010.2
Transfers	4,905	9,384.7	5,805	9,633.2	6,599	11,284.0	6,823	11,269.3
Out-payments	22,167	30,418.3	22,970	31,796.2	23,144	34,362.2	24,699	35,455.3

■ Affiliated services using ATMs and cash dispensers

Unit: transactions in thousands, billion yen

Classification	FY2003		FY2004		FY2005		FY2006	
	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
Transactions using ATMs and cash dispensers	106,805	6,213.2	139,995	7,778.8	161,987	9,226.8	168,820	8,802.6
At post offices with cash cards issued by private banking institutions	55,095	5,091.5	62,883	6,146.6	70,524	7,286.0	69,149	6,758.6
At private banking institutions with Postal Savings cash cards	51,710	1,121.7	77,112	1,632.2	91,463	1,940.8	99,672	2,044.0
Mutual remittances	220	1,321.4	251	1,856.2	273	2,496.9	274	2,796.9

■ Counter Sales of Government Bonds

Unit: billion yen

Classification	FY2003		FY2004		FY2005		FY2006	
	Underwritten	Sold	Underwritten	Sold	Underwritten	Sold	Underwritten	Sold
Long-term government bonds	199.5	172.0	200.0	199.6	300.0	295.7	400.0	180.6
Medium-term government bonds	1,598.6	1,187.7	1,598.4	1,454.0	1,698.2	1,637.2	1,795.6	1,466.3
Bonds for individuals	400.0	398.8	825.0	815.4	900.0	894.1	900.0	890.2
Total	2,198.1	1,758.6	2,623.4	2,469.1	2,898.2	2,827.0	3,095.6	2,537.1

3. Overview of Postal Life Insurance Service

(1) NEW OR IN-FORCE POLICIES

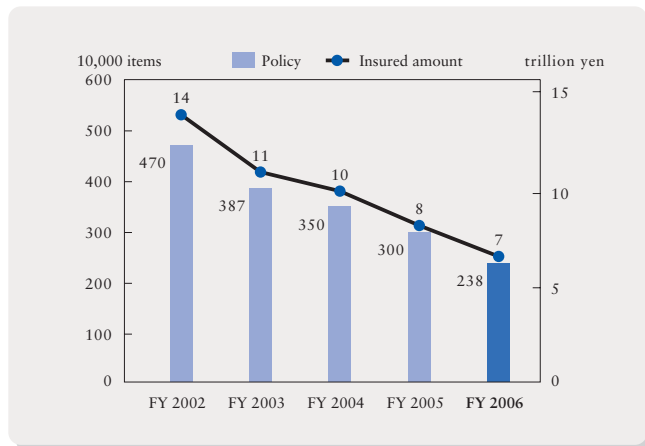
New or in-force policies for fiscal 2006 are described below.

(1) New Policies for Fiscal 2006

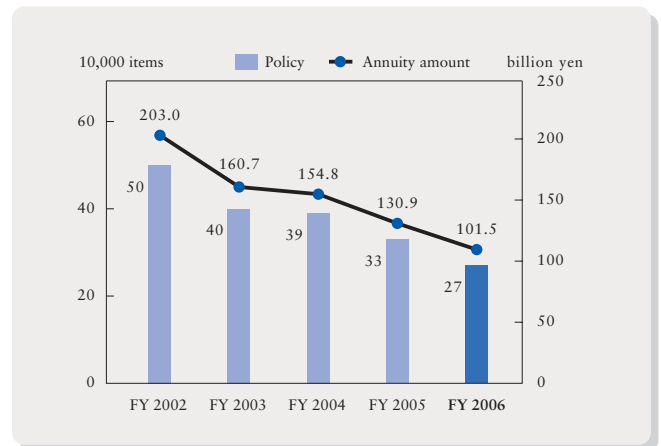
The number of new insurance policies fell 20.6% or 616,000 year-on-year to 2.381 million, and the insured amount dropped 18.5% or 1.5656 trillion yen to 6.9041 trillion yen.

The number of new annuity insurance policies declined 19.2% or 64,000 from the previous year to 270,000, and the annuity amount dropped 22.4% or 29.3 billion yen to 101.5 billion yen.

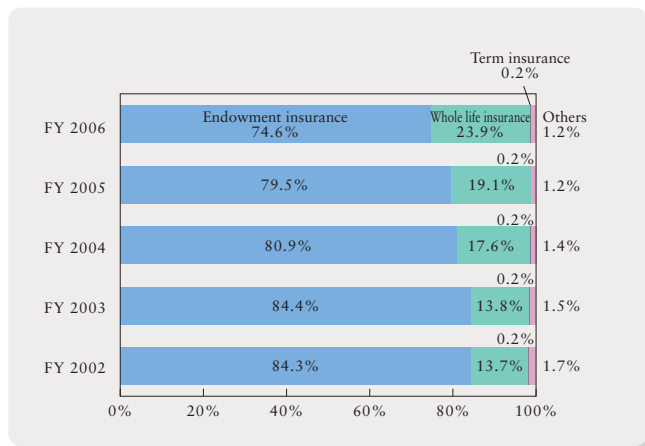
■ Trends in new policies of life insurance



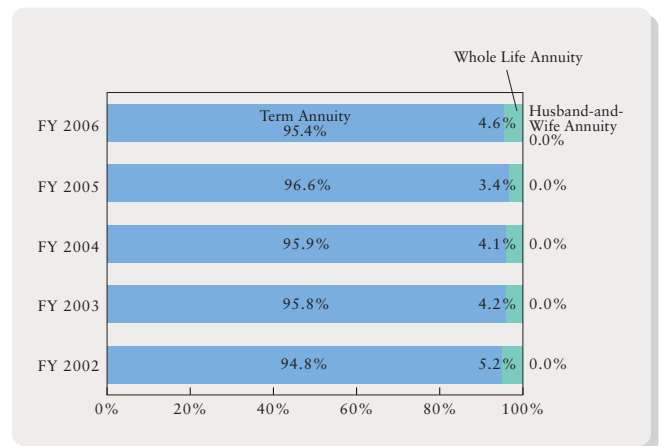
■ Trends in new policies of annuity insurance



■ New insurance policies by type



■ New annuity policies by type

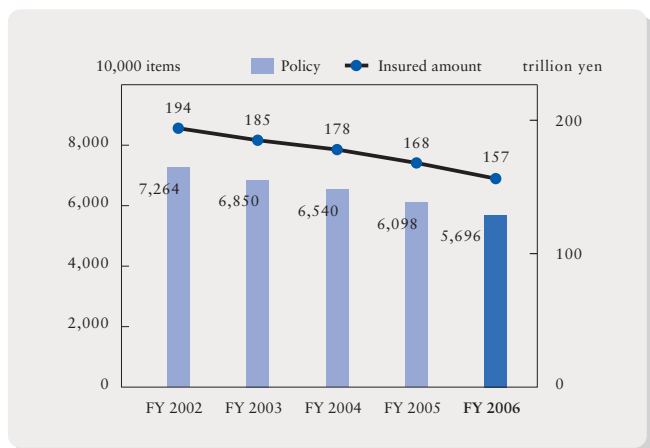


(2) Policies in Force at the End of Fiscal 2006

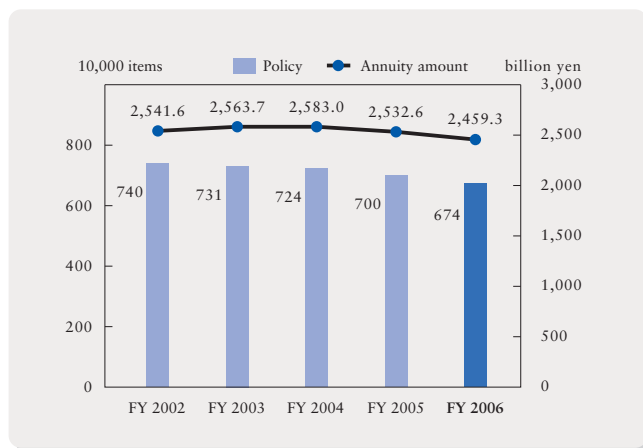
There were 56.96 million insurance policies in force at the end of fiscal 2006, down 6.6% or 4.02 million from a year earlier, and the insured amount totaled 157.1150 trillion yen, down 6.4% or 10.6965 trillion yen.

There were 6.74 million annuity insurance policies in force as of the end of fiscal 2006, down 3.7% or 260,000 from the previous year, and the annuity amount dropped 2.9% or 73.3 billion yen to 2,459.3 billion yen.

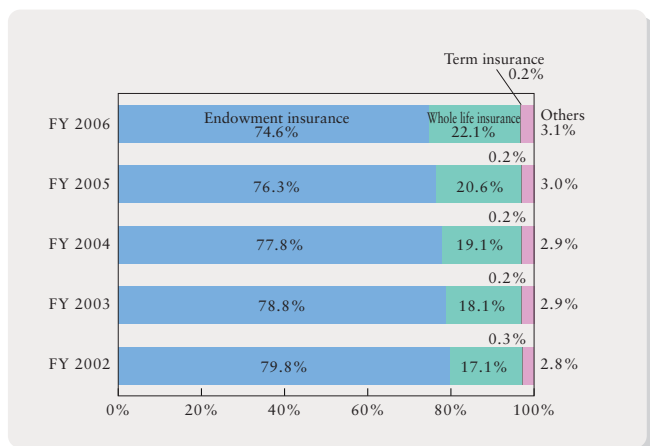
■ Trends in policies in force



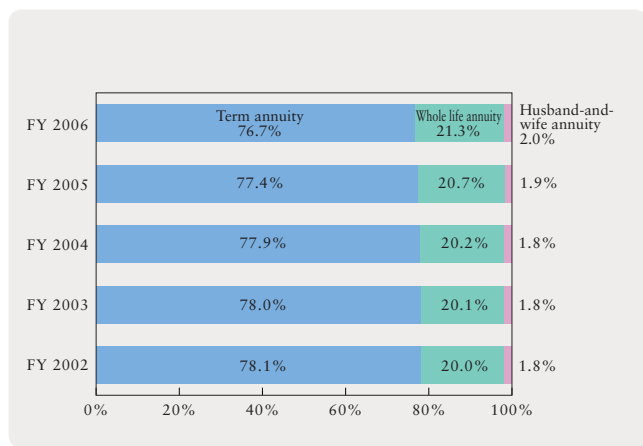
■ Trends in annuity policies in force



■ Insurance policies in force by type



■ Annuity policies in force by type



(2) POLICYHOLDERS' DIVIDENDS

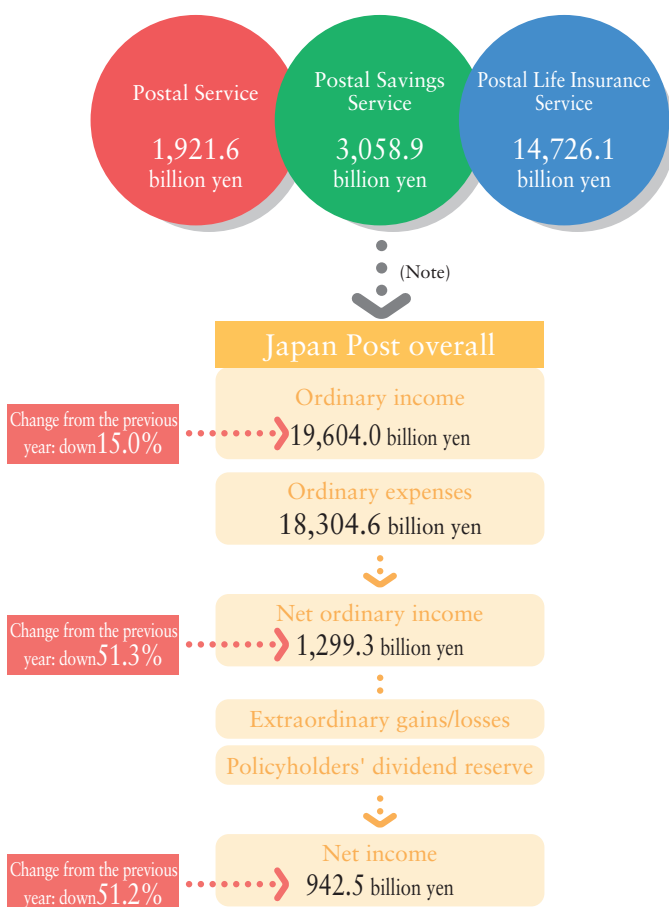
As for dividends for the policyholders in fiscal 2007, we have decided to pay dividends totaling 177.4 billion yen as the provision for policyholders' dividend reserve to the policyholders starting from April 1, 2007, by adding 44.7 billion yen to 132.6 billion yen which is the provision of the dividend reserve at the same level of the previous year.

2. Financial Condition

1. Japan Post

PROFIT AND LOSS

■ Ordinary income by service



Note: 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.

■ **Ordinary Income, Ordinary Expenses and Net Ordinary Income**
 In the year ended March 31, 2007, Japan Post saw the total volume of letter post and the number of new insurance policies decrease. Amid such a harsh business environment, the corporation strove to ensure earnings in the Postal, Postal Savings and Postal Life Insurance Services as well as to reduce costs. Despite these efforts, the corporation's ordinary income and net ordinary income declined from the previous year.

Specifically, ordinary income was 1,881.6 billion yen in the Postal Service, 3,053.8 billion yen in the Postal Savings Service and 14,668.5 billion yen in the Postal Life Insurance Service. Overall, ordinary income posted 19,604.0 billion yen, down 3,457.2 billion yen from the previous year's 23,061.2 billion yen. Ordinary expenses for Japan Post were down 2,089.6 billion yen from 20,394.3 billion yen in the previous year to 18,304.6 billion yen, thanks to our efforts to reduce expenses such as procurement costs, as well as because of decreased insurance payments, etc. As a result, net ordinary income was down 1,367.6 billion yen from 2,666.9 billion a year earlier to 1,299.3 billion yen.

■ Extraordinary gains/losses

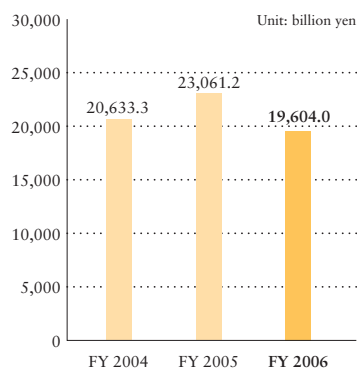
In fiscal 2006, Japan Post booked extraordinary gains of 27.4 billion yen derived mainly from sales of movable properties. Meanwhile, extraordinary losses were 206.8 billion yen. The losses are attributable to 77.5 billion yen in impairment losses on Teishin (communication) hospitals, facilities for promoting and advertising Postal Savings, and welfare institutions for Postal Life Insurance policyholders, 49.1 billion yen in provision for reserve for price fluctuations and 21.4 billion yen in preparation expenses at the head office for privatization.

■ Net Income

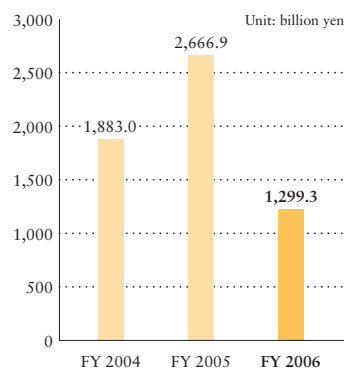
Overall, Japan Post recorded a net income of 942.5 billion yen, down 990.5 billion yen from the previous year's 1,933.1 billion yen, as a result of incorporating extraordinary gains and losses into net ordinary income, and transferring an additional 177.4 billion yen to the policyholders' dividend reserve in the Postal Life Insurance Service. All this net income will be added to the reserve fund as appropriated retained earnings, the same as we did last year, pursuant to Article 36, Paragraph 1 of the Japan Postal Public Corporation Law.

Net income declined 990.5 billion yen from a year earlier, mainly because money trust management income in the Postal Savings Service fell 1,184.2 billion yen.

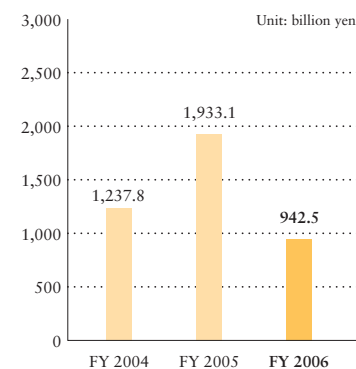
■ Trends in ordinary income



■ Trends in net ordinary income

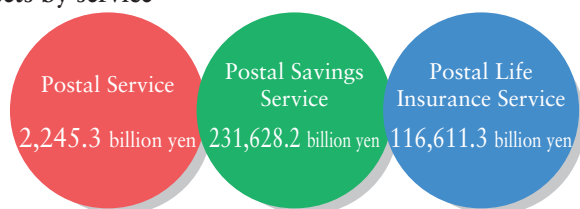


■ Trends in net income



ASSETS AND LIABILITIES

Total assets by service



(Note)

Assets		Liabilities	
Total assets 349,818.4 billion yen		Total liabilities 339,685.9 billion yen	
Major items		Major items	
Cash and deposits	6,802.3 billion yen	Postal savings	185,822.5 billion yen
Money held in trust	9,502.5 billion yen	Policy reserves	113,108.8 billion yen
Securities	249,235.1 billion yen	Borrowings	28,200.0 billion yen
Deposits money (Deposits to the fiscal loan fund)	52,243.5 billion yen	Reserve for employees' retirement benefits	2,428.1 billion yen
Loans	26,090.4 billion yen		
Premises and equipment, net	2,865.2 billion yen		
Other assets	1,636.8 billion yen		
		Capital	
		Total capital 10,132.5 billion yen	
		Capital	1,268.8 billion yen
		Retained earnings	6,415.4 billion yen
		Net unrealized gains on securities	2,448.2 billion yen
	Capital ratio 2.9%		

Assets

The total assets of Japan Post were 349,818.4 billion yen as of the end of fiscal 2006, a decrease of 19,662.8 billion yen from the previous year's 369,481.3 billion yen.

The decrease of 19,662.8 billion yen is attributable mainly to a fall in deposits to the fiscal loan fund because of loan maturity.

Liabilities

The total liabilities of Japan Post amounted to 339,685.9 billion yen at the end of fiscal 2006, a decrease of 20,529.0 billion yen from the preceding year's 360,214.9 billion yen.

The decrease of 20,529.0 billion yen in total liabilities is due chiefly to a drop of 12,272.3 billion yen in the balance of postal savings (excluding unpaid interest on postal savings) and a repayment of 5,000.0 billion yen, which was borrowed for investment management from the fiscal loan fund.

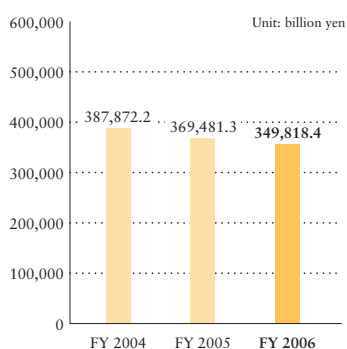
Capital

Total capital stood at 10,132.5 billion yen as of the end of fiscal 2006, an increase of 866.1 billion yen from the previous year's 9,266.3 billion yen. This increase is ascribed primarily to the booking of 1,268.8 billion yen in capital, 6,415.4 billion yen in retained earnings including a net income of 942.5 billion yen, and 2,448.2 billion yen in net unrealized gains on securities. As a consequence, the capital ratio (See Note) rose to 2.9% year-on-year from 2.5% of the previous year end.

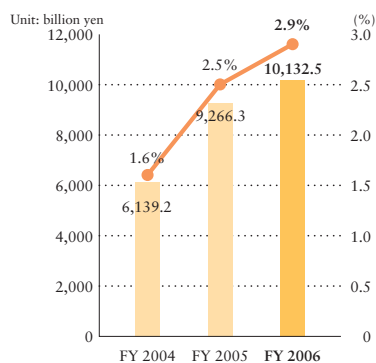
Note: Discrepancies between the total of figures for each service and the figures for Japan Post overall are due to the offsetting and elimination of transactions between the Postal, Postal Savings, and Postal Life Insurance Services as internal transactions within the corporation.

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

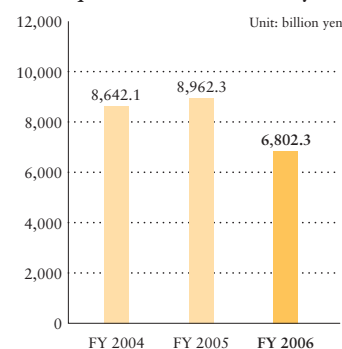
Trends in total assets



Trends in capital and capital ratio



Trends in the balance of cash and cash equivalents at the fiscal year-end



CASH FLOWS

Statements of cash flows

	Unit: billion yen	
	FY 2005	FY 2006
		Change
Cash flows from operating activities	(20,794.9)	(21,285.7) (490.7)
Cash flows from investing activities	21,118.7	19,129.3 (1,989.4)
Cash flows from financial activities	(4.2)	(3.9) 0.2
Cash and cash equivalents at the end of the year	8,962.3	6,802.3 (2,159.9)

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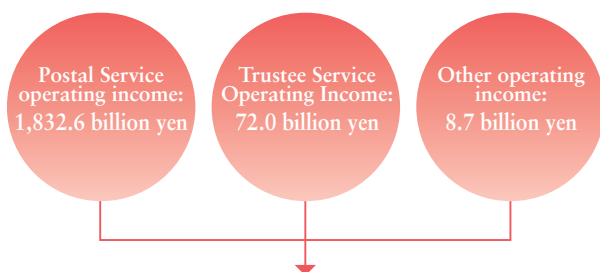
2. Postal Service

(1) PROFIT AND LOSS

With regard to the Postal Service, the total volume of mail handled has had a tendency to decrease due to the recent intense competition. Amid this situation, Japan Post implemented proactive sales activities in the parcel post sector, which resulted in increasing the use of the sector's service by department stores and mail-order companies. Ordinary parcels handled hit a record of 267.95 million items. Consequently, operating income increased 4.4 billion yen from the previous year to 1,913.4 billion yen due mainly to a rise in service unit prices despite a fall in the total volume of mail handled. Furthermore, we made considerable effort to reduce personnel and other expenses as well as raise productivity utilizing the JPS. As a result, net operating income increased 13.2 billion yen year-on-year to 27.9 billion yen and accordingly net ordinary income increased 13.6 billion yen to 28.8 billion yen. Meanwhile, net income decreased 0.8 billion yen to 1.8 billion yen, influence by extraordinary gains of 6.0 billion yen, including gains on sales of fixed assets, and extraordinary losses of 33.0 billion yen, including expenses of the head office, etc. for the preparation of privatization.

OUTLOOK FOR FISCAL 2007

For fiscal 2007, Japan Post will undertake further preparations to ensure implementation of its privatization and split-up by strengthening the internal control and arranging for the transfer of operations, and the like, while striving to secure profits, through a reduction in costs resulting from improved operational efficiency, and to raise customer satisfaction. By making these efforts, we aim to achieve our target of 105.0 billion yen in loss (the amount will be 793.6 billion yen in loss if liabilities relating to liquidation of the mutual aid association are booked).



Operating income
1,913.4 billion yen (up 0.2% from the previous year)

Operating costs 1,785.9 billion yen
Sales, general and administrative expenses 99.4 billion yen

Net operating income
27.9 billion yen (up 89.7%)

Non-operating income 8.1 billion yen

Non-operating expenses 7.3 billion yen

Net ordinary income
28.8 billion yen (up 90.3%)

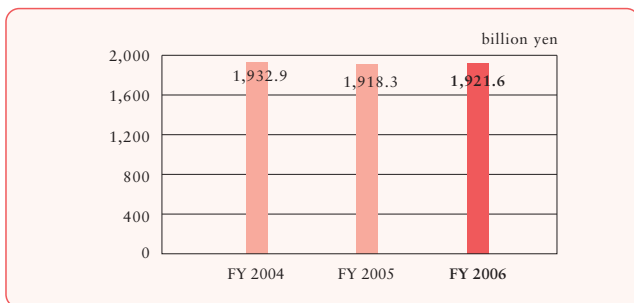
Extraordinary gains 6.0 billion yen

Extraordinary losses 33.0 billion yen

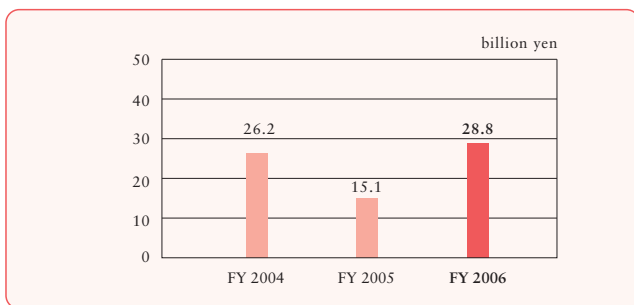
Net income 1.8 billion yen (down 30.1%)

The figures in parentheses represent percentage changes from the previous fiscal year.

■ Trends in ordinary income



■ Trends in net ordinary income



■ Trends in operating expense ratios

Fiscal Year	FY 2004	FY 2005	FY 2006
Operating expense ratio	98.4%	99.2%	98.5%

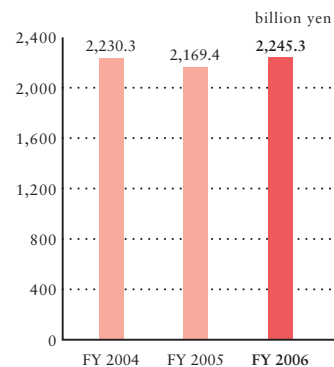
Operating expense ratio = ((Operating costs + Selling, general and administrative expenses)/Operating income) × 100

(2) ASSETS AND LIABILITIES

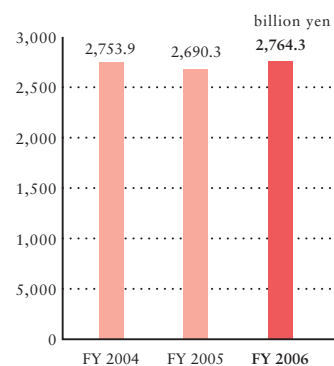
Total assets for the Postal Service were 2,245.3 billion yen at the end of fiscal 2006, an increase of 75.8 billion yen from the previous year, due to an increase in current assets (mainly in cash and deposits). Total capital stood at minus 519.0 billion yen, up 1.8 billion yen.

Assets		Liabilities	
Total assets 2,245.3 billion yen		Total liabilities 2,764.3 billion yen	
Major items		Major items	
Current assets	445.1 billion yen	Current liabilities	1,283.6 billion yen
Fixed assets	1,800.1 billion yen	Long-term liabilities	1,480.7 billion yen
Tangible fixed assets	1,782.8 billion yen		
Intangible fixed assets	15.8 billion yen		
Investment and other assets	1.4 billion yen		
		Capital	
		Total capital (519.0 billion yen)	
		Difference of assets and liabilities at the time of establishment of Japan Post (578.2 billion yen)	
		Retained earnings 59.2 billion yen	

■ Trends in total assets



■ Trends in total liabilities



CASH FLOWS

■ Statements of cash flows

	FY 2005	FY 2006	
			Change
Cash flows from operating activities	124.6	23.1	(101.4)
Cash flows from investing activities	(10.6)	(36.0)	(25.4)
Cash flows from financial activities	(93.7)	126.0	219.7
Cash and cash equivalents at the end of the year	203.7	316.8	113.1

Unit: billion yen

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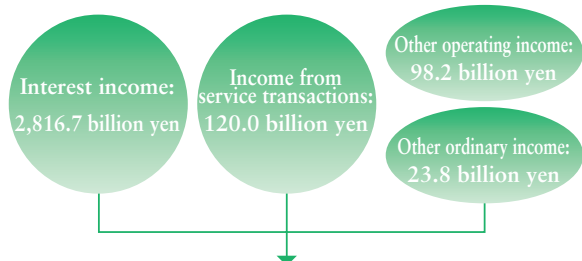
3. Postal Savings Service

(1) PROFIT AND LOSS

In the Postal Savings Service, the balance of postal savings is on a downward trend reflecting the shift of individual assets from savings to investments. Affected by this trend, ordinary income for the Service declined 1,472.6 billion yen from the preceding year to 3,058.9 billion yen in fiscal 2006. This decrease is attributable to a year-on-year fall of 317.3 billion yen in interest income, which accounts for the majority of ordinary income, owing primarily to a drop in interest earned from deposits to the fiscal loan fund in the wake of repaying deposits that matured, as well as a sharp decline in income from money held in trust due chiefly to a weakened stock market, despite a rise in income from service transactions thanks to robust investment trust sales that were launched in fiscal 2005. Ordinary expenses decreased 118.2 billion yen from a year earlier mainly because of a drop in the payment of interest on postal savings reflecting a fall in the balance of such savings. This, however, failed to offset a decrease in ordinary income. As a result, net ordinary income decreased 1,354.3 billion yen to 977.3 billion yen, and net income decreased year-on-year 989.7 billion yen to 940.6 billion yen. Despite a widened difference between investment yield and fund procurement costs by 0.02 percentage point, cash flows, the difference between interest income and interest expenses, decreased 72.9 billion yen owing to a drop in the balance of postal savings.

OUTLOOK FOR FISCAL 2007

Japan Post will enhance customer services and improve the quality of operations so that we can live up to the trust of customers and increase their satisfaction. Through these efforts, we will maintain and strengthen our customer base. Japan Post will secure cash flows through appropriate asset and liability management (ALM) and increase revenues on fees by expanding the lineup of investment trust products, which we began to handle in fiscal 2005. In addition, we will take measures for improving cost efficiency, including making operations at post offices more efficient. By doing these measures, we will aim to secure a profit of 290.0 billion yen (excluding the effects of booking of liabilities relating to liquidation of the mutual aid association).



Ordinary income
 3,058.9 billion yen (down 32.5% from the previous year)

Ordinary expenses
 2,081.5 billion yen (down 5.4%)

Interest expenses	907.3 billion yen
Expenses for service transactions	18.1 billion yen
Other operating expenses	157.4 billion yen
General and administrative expenses	994.1 billion yen
Other ordinary expenses	4.3 billion yen

Net ordinary income
 977.3 billion yen (down 58.1%)

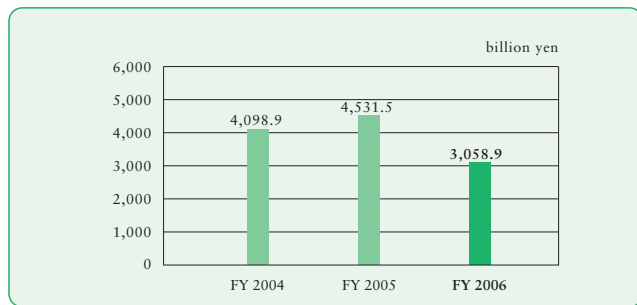
Extraordinary gains 12.8 billion yen

Extraordinary losses 49.4 billion yen

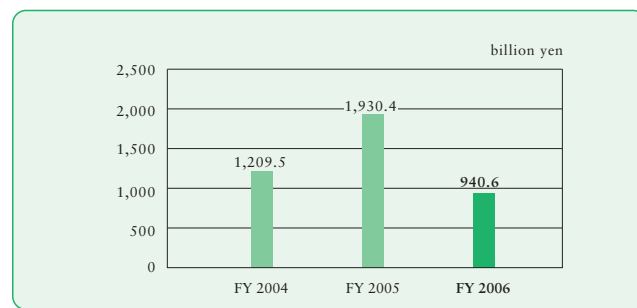
Net income 940.6 billion yen (down 51.3%)

The figures in parentheses represent percentage changes from the previous fiscal year.

■ Trends in ordinary income



■ Trends in net income



■ Trends in expense ratios

Fiscal Year	FY 2004	FY 2005	FY 2006
Expense ratio	0.45%	0.47%	0.51%

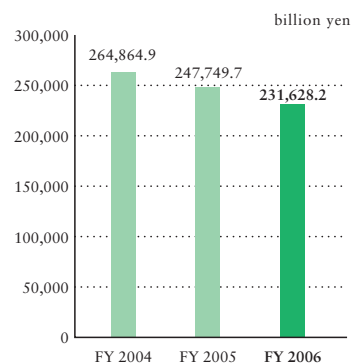
Expense ratio = (General and administrative expenses/Balance of postal savings (average end-of-month balance)) × 100

(2) ASSETS AND LIABILITIES

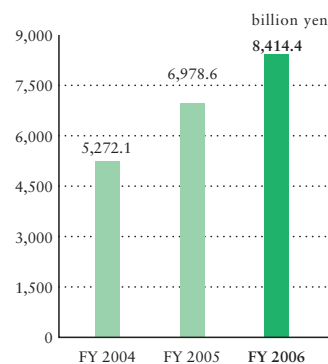
At the end of fiscal 2006, total assets for the Postal Savings Service amounted to 231,628.2 billion yen, a decrease of 16,121.5 billion yen from the previous year. Capital increased 1,435.8 billion from a year earlier to 8,414.4 billion yen.

Assets		Liabilities	
Total assets 231,628.2 billion yen		Total liabilities 223,213.7 billion yen	
Major items		Major items	
Cash and deposits	5,377.4 billion yen	Postal money orders	9.7 billion yen
Call loans	1,000.0 billion yen	Postal giro	6,124.9 billion yen
Receivables under resale agreements	119.8 billion yen	Postal savings	185,822.5 billion yen
Money held in trust	1,927.2 billion yen	Borrowings	28,200.0 billion yen
Securities	165,016.5 billion yen	Other liabilities	2,428.0 billion yen
Deposits to the fiscal loan fund	52,243.5 billion yen	Reserve for employees' bonuses	33.2 billion yen
Loans	4,376.0 billion yen	Reserve for directors' bonuses	0.0 billion yen
Other assets	943.6 billion yen	Reserve for employees' retirement benefits	595.0 billion yen
Premises and equipment, net	633.5 billion yen	Reserve for directors' retirement benefits	0.0 billion yen
Allowance for doubtful accounts	(9.6 billion yen)		
		Capital	
		Total capital 8,414.4 billion yen	
		Difference of assets and liabilities at the time of establishment of Japan Post 1,804.4 billion yen	
		Retained earnings 6,356.2 billion yen	
		Net unrealized losses on securities (253.8 billion yen)	

■ Trends in total assets



■ Trends in total capital



CASH FLOWS

■ Statements of cash flows

	FY 2005	FY 2006	
			Change
Cash flows from operating activities	(17,857.3)	(17,895.6)	(38.2)
Cash flows from investing activities	18,602.1	16,439.0	(2,163.1)
Cash flows from financial activities	(0)	(0)	0
Cash and cash equivalents at the end of the year	6,833.5	5,377.4	(1,456.1)

Unit: billion yen

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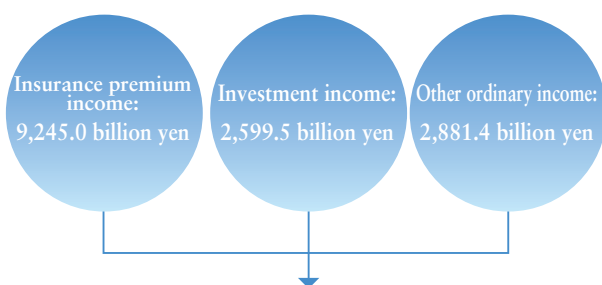
4. Postal Life Insurance Service

(1) PROFIT AND LOSS

With regard to the Postal Life Insurance Service, the numbers of new policies and policies in force for both insurance and annuity are decreasing. Against the backdrop, ordinary income for this service was 14,726.1 billion yen in fiscal 2006, a decrease of 1,946.0 billion yen from the previous year, affected by a year-on-year fall of 1,986.7 billion yen in insurance premium income due to a drop in the number of policies in force, despite an increase in investment income amid rising interest rates. Ordinary expenses were 14,431.9 billion yen, a decrease of 1,920.1 billion yen, due to a drop in insurance claims and other insurance payments derived from a decrease in insurance that matured, despite an increase of 17.4 billion yen in operating expenses resulting from a growth in retirement benefits amid rising number of retirees. As a result, net ordinary income decreased 25.9 billion yen to 294.1 billion yen. As for the full amount of 177.4 billion yen, obtained by incorporating extraordinary gains and losses into net ordinary income, Japan Post transferred to the policyholders' dividend reserve, considering a raise in dividends with approval of the Internal Affairs and Communications Minister.

OUTLOOK FOR FISCAL 2007

Japan Post will strive to improve its sales structure and enhance its sales capabilities, aiming to secure 22.0 billion yen in new policy premiums. We will also increase internal reserves by 140.0 billion yen by improving operational efficiency, reducing costs and carrying out stable investment of funds.



Ordinary income
14,726.1 billion yen (down 11.7% from the previous year)

Ordinary expenses
14,431.9 billion yen (down 11.7%)

Insurance claims and other insurance payments	13,536.8 billion yen
Provision for reserve for insurance contracts	167.6 billion yen
Asset management expenses	118.4 billion yen
Operating expenses	563.5 billion yen
Other ordinary expenses	45.3 billion yen

Net ordinary income
294.1 billion yen (down 8.1%)

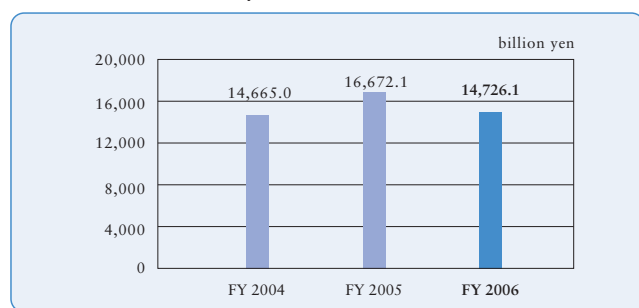
Extraordinary gains 10.9 billion yen

Extraordinary losses 127.6 billion yen

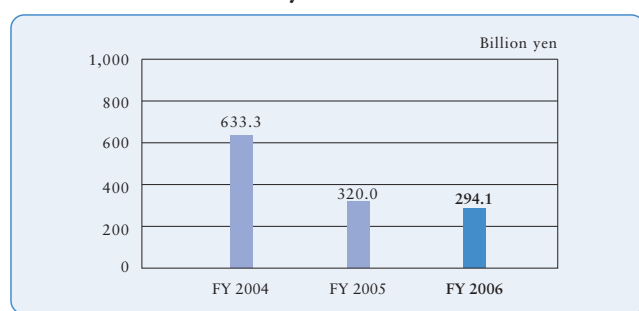
Provision for policyholders' dividend reserve
177.4 billion yen (up 18.1%)

The figures in parentheses represent percentage changes from the previous fiscal year.

■ Trends in ordinary income



■ Trends in net ordinary income



■ Trends in operating expense ratio

Fiscal Year	FY 2004	FY 2005	FY 2006
Operating expense ratio	4.80%	4.86%	6.10%

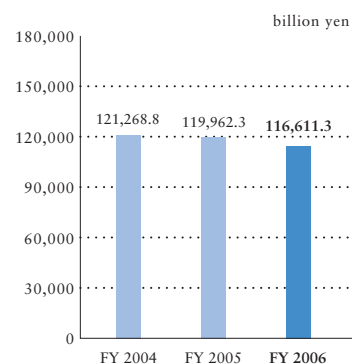
Operating expense ratio = (Operating expenses/Insurance premium income) × 100

(2) ASSETS AND LIABILITIES

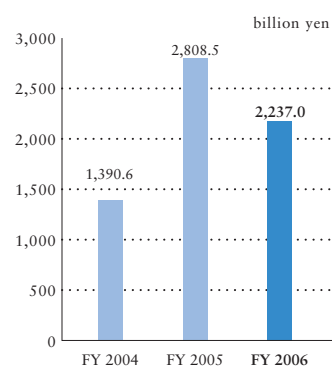
At the end of fiscal 2006, total assets were 116,611.3 billion yen, a decrease of 3,351.0 billion yen from the previous year. Capital decreased 571.5 billion yen to 2,237.0 billion yen.

Assets		Liabilities	
Total assets 116,611.3 billion yen		Total liabilities 114,374.2 billion yen	
Major items		Major items	
Cash and deposits	1,122.3 billion yen	Policy reserves	113,108.8 billion yen
Call loans	304.6 billion yen	Other liabilities	147.0 billion yen
Monetary receivables purchased	29.9 billion yen	Reserve for employees' bonuses	20.9 billion yen
Money held in trust	7,575.2 billion yen	Reserve for employees' retirement benefits	470.8 billion yen
Securities	84,217.7 billion yen	Reserve for directors' retirement benefits	0.0 billion yen
Loans	22,203.1 billion yen	Reserve for price fluctuations	626.5 billion yen
Premises and equipment, net	450.1 billion yen		
Other assets	709.0 billion yen		
Allowance for doubtful accounts	(0.9 billion yen)		
		Capital	
		Total capital 2,237.0 billion yen	
		Difference of assets and liabilities at the time of establishment of Japan Post 42.6 billion yen	
		Retained earnings —	
		Net unrealized gains on securities 2,194.4 billion yen	

■ Trends in total assets



■ Trends in total capital



CASH FLOWS

■ Statements of cash flows

	Unit: billion yen		
	FY 2005	FY 2006	
		Change	
Cash flows from operating activities	(2,992.4)	(3,569.9)	(577.5)
Cash flows from investing activities	2,548.6	2,745.5	196.8
Cash flows from financial activities	(0.0)	(0.0)	0.0
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net decrease in cash and cash equivalents	(443.7)	(824.4)	(380.6)
Cash and cash equivalents at the beginning of the year	2,390.5	1,946.7	(443.7)
Cash and cash equivalents at the end of the year	1,946.7	1,122.3	(824.4)

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3. Funds Management

1. Postal Savings Service

Investment of Postal Savings Funds

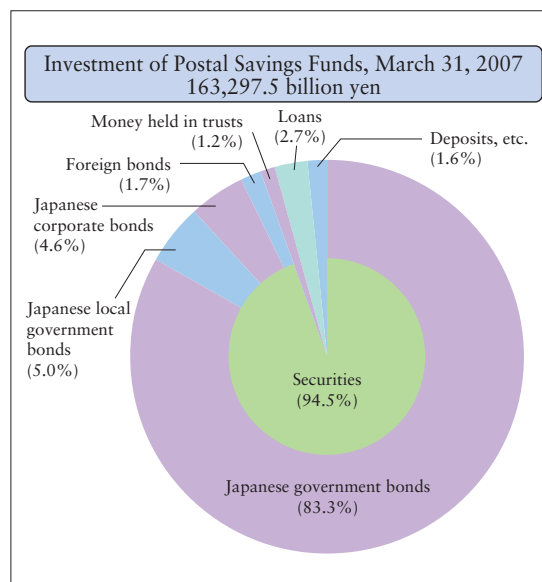
As of March 31, 2007

Classification	Balance of assets (billion yen)	Percentage (%)
Securities	154,347.7	94.5
Japanese government bonds	136,052.3	83.3
Japanese local government bonds	8,130.6	5.0
Japanese corporate bonds	7,431.8	4.6
Public corporation bonds, etc.	4,811.9	2.9
Foreign bonds	2,732.8	1.7
Money held in trusts	1,927.2	1.2
Loans	4,376.0	2.7
Loans to local governments	3,686.9	2.3
Loans to depositors, etc.	329.1	0.2
Loans to Postal Service	360.0	0.2
Deposits, etc.	2,646.3	1.6
Total	163,297.5	100.0

Note 1: The balance of assets in financial instruments is calculated in accordance with 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 23,990.0 billion yen in entrusted money (excludes entrusted money corresponding to the former Special Fund to Cope with Financial Deregulation), making a total of 187,287.5 billion yen.



2. Postal Life Insurance Service

Investment of Kampo Funds

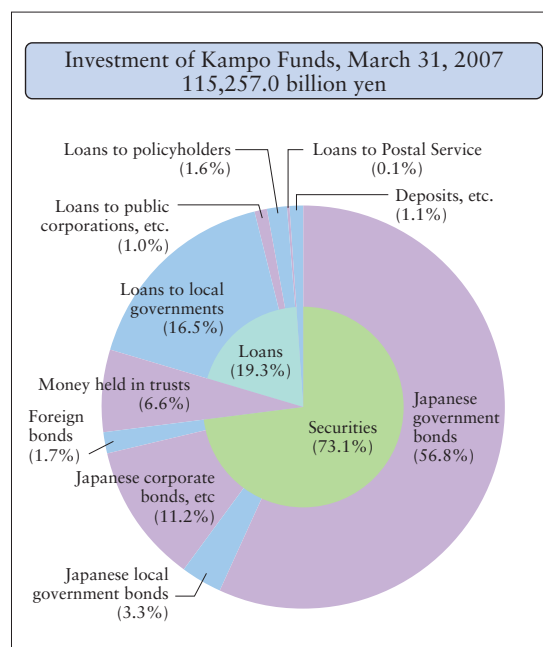
As of March 31, 2007

Classification	Balance of assets (billion yen)	Percentage (%)
Securities	84,217.6	73.1
Japanese government bonds	65,437.3	56.8
Japanese local government bonds	3,859.7	3.3
Japanese corporate bonds, etc.	12,918.0	11.2
Public corporation bonds, etc.	10,519.2	9.1
Foreign bonds	2,002.5	1.7
Money held in trusts	7,575.2	6.6
Loans	22,203.1	19.3
Loans to local governments	19,049.7	16.5
Loans to public corporation, etc.	1,187.9	1.0
Loans to policyholders	1,836.7	1.6
Loans to Postal Service	128.8	0.1
Deposits, etc.	1,261.0	1.1
Total	115,257.0	100.0

Note 1: There may be discrepancies between the balance of assets and funds because of the application of market prices to the relevant financial instruments in accordance with accounting standards.

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

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



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4. Overview of Privatization

1. Implementation Plan Concerning the Business Succession of Japan Post

On October 1, 2007, Japan Post will be privatized in accordance with Japan Post privatization and related laws, handing over its operations to holding company JAPAN POST HOLDINGS Co., Ltd. and four companies, etc. The implementation plan, which was submitted by the government on April 27, 2007, calls for the succession of Japan Post's businesses by companies to be established after the privatization. Placing emphasis on security and confidence that Japan Post, as a public organization, has fostered, each JAPAN POST GROUP unit will offer products and services which satisfy customers by using the freedom of management as a private company and exerting its originality and ingenuity, strengthen its earnings power, and secure independent, sound management.

OVERVIEW OF THE SUCCEEDING COMPANIES

JAPAN POST HOLDINGS Co., Ltd.

Group management philosophy

Giving stress on security and confidence that Japan Post, as a public organization, has fostered, the Group, as a private corporation, will demonstrate creativity and efficiency to the greatest extent possible, meet customers' expectations, raise customer satisfaction, and grow together with customers. The Group will also pursue managerial transparency on its own, observe rules, and contribute to the development of society and region.

Group governance

1. Two financial companies are required to go public in four years after the privatization at latest or three years, if possible, and dispose of stocks in five years after the privatization. Prior to listing, control will be made taking into account the balance of management structures required for financial holding companies and independence from the holding company. JAPAN POST HOLDINGS Co., Ltd. is also needs to prepare so that it will be able to go public at the same time as the two financial companies do so, while pursuing management according to market rules. Ahead of its listing, JAPAN POST HOLDINGS will direct and supervise the two non-financial companies in formulating and implementing their business plan, manage the progress and control, if necessary, by providing proper support.
2. JAPAN POST HOLDINGS will be a company with committees, and establish the nomination, compensation and audit committees. Under the management meeting, it will also set up special committees, such as the compliance committee and the CSR committee.
3. JAPAN POST HOLDINGS will formulate basic policies of the Group and require each company to follow them. In case there are matters affecting the entire Group, JAPAN POST HOLDINGS will administer the Group's operations by giving approval to and requesting reports on individual such matters. Such administration will be revised as needed responding to, for example, listing of the two financial companies. Each Group unit will draw up a medium-term business plan, and carry out the Group's management strategies along the time axis, formulate an annual business plan, and manage earnings based on managerial accounting on a monthly basis.
4. JAPAN POST HOLDINGS will establish fundamental policies of internal control, including internal audits, risk management, compliance and information security, require each company to improve the structure for internal control and report on the status of internal control, and direct it in improving its measures, when necessary.

Long-term strategy vision

JAPAN POST HOLDINGS will assume the following three steps over the long term, provide necessary investments and supports as a holding company, and require each company to make reforms to become independent, aiming to maximize the Group's value.

- First step: Each company will strengthen its capabilities as a private corporation and establish a solid corporate foundation. Two financial companies aim to go public at latest in the fourth year after the privatization or third year, if possible. JAPAN POST HOLDINGS will also prepare so that it will be able to go public at the same time as the two financial companies do so.
- Second step: JAPAN POST HOLDINGS will accelerate strategic investments so that each company will be able to realize a self-sustaining growth. The two financial companies will achieve complete privatization, as well as each company will realize continuous growth by diversifying and strengthening earnings sources.
- Third step: JAPAN POST HOLDINGS will make efforts toward a new growth after the period of privatization process ends.

Organization

Corporate center functions: Inspection & audit, corporate planning, compliance, finance/accounting, personnel/general affairs, and CRE (corporate real estate) departments

Functions to handle operations common to the entire Group: System department, personnel/accounting integration center, health management center, facility management department, and facility center

Business operating functions: Hospitals (14) and accommodations (82)

Employees

JAPAN POST HOLDINGS will take over about 3,600 employees of Japan Post, as well as reappointed staff.

*The entire JAPAN POST GROUP is expected to take over a total of about 241,400 full-time employees from Japan Post.

Financial conditions

(Non-consolidated)

Assets: 9,458.0 billion yen (including the head office, hospitals, accommodations and four subsidiaries' shares)

Liabilities: 1,519.0 billion yen (including reserve for employees' retirement benefits)

Net assets: 7,939.0 billion yen

(Consolidated)

Total assets: 338,830.0 billion yen

Net assets: 7,939.0 billion yen

Outlook for profit/loss

(Non-consolidated)

Net income: 143.0 billion yen (FY2008)

287.0 billion yen (FY2011)

(Consolidated)

Net income: 508.0 billion yen (FY2008)

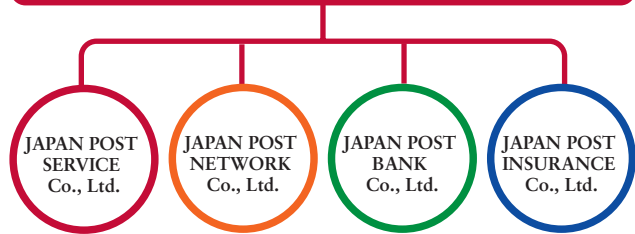
587.0 billion yen (FY2011)

Note 1: The figures in Financial conditions and Outlook for profit/loss are those estimated as of the time of announcing this material, and actual results may differ from the above forecasts impacted by Japan Post's earnings results in the future and evaluation of succeeded assets, as well as changes in financial and economic conditions, such as interest rates and stock prices.

Note 2: The figures in Outlook for profit/loss do not include any impact of new products and services that need to be submitted, but include the impact of new businesses, etc. that JAPAN POST NETWORK Co., Ltd. will conduct by filing reports.

Note 3: The figures in Financial conditions on a consolidated basis represent those obtained by partially offsetting lending and borrowing among the five succeeding companies from total assets and liabilities of these companies. The figures in Outlook for profit/loss on a consolidated basis represent those obtained by partially offsetting internal transactions and dividends that occur among the five succeeding companies from total assets and liabilities of these companies.

JAPAN POST HOLDINGS Co., Ltd.



OVERVIEW OF THE SUCCEEDING COMPANIES

JAPAN POST SERVICE Co., Ltd.

Management philosophy

While maintaining universal services for postal businesses, JAPAN POST SERVICE will create a “network that sincerely connects people, corporations and society,” by providing communications in which the public feels secure, and certain and speedy logistics functions.

Corporate governance

1. JAPAN POST SERVICE will be a company with board of corporate auditors. Under the management meeting, it will set up special committees, such as the risk management committee and the compliance committee.
2. JAPAN POST SERVICE will establish the inspection & audit department that is independent from departments to be audited, and 13 regional inspection & audit offices.
3. JAPAN POST SERVICE will establish compliance supervisory offices at the head office and regional offices, where compliance officers will be assigned. JAPAN POST SERVICE will also post personnel in charge of compliance at each department of the head office and regional offices and at branch offices.

Business strategy

1. Provision of services meeting customers' needs

Such services include the issuance of attractive stamps and postcards, comprehensive DM service from planning to mailing, faster and better quality EMS, real-time provision of information on delivery of Yu-Pack parcels, and Web service for sending mails through personal computer.

2. Establishment of bases to support services

JAPAN POST SERVICE will expand the urban bases to receive Yu-Pack parcels, enhance the corporate business system, activate the functions of access points such as Yu-Pack parcel handling offices, improve the sales system and implement business management with emphasis on profitability and efficiency.

3. Enhancement of management base

JAPAN POST SERVICE will distribute manpower according to business volume, promote JPS activities, make mechanization and computerization more efficient, build an efficient transport network, establish personnel and wage systems in which employees' capabilities and performance are appropriately evaluated, and employ fixed assets effectively.

4. Entry into new growth fields

- Domestic logistics field: JAPAN POST SERVICE will propose measures for more efficient logistics operations, and offer a logistics service which undertakes comprehensively a series of logistics operations, including transport, storage, disposal, etc. of products.
- International logistics field: JAPAN POST SERVICE will advance into the international express business, centering on the Asian region, and expand the international logistics business.

5. Securing reliability and transparency of management

JAPAN POST SERVICE will promote CSR efforts, boost CS activities, strengthen internal control, including measures for ensuring conformity to the Law on Sales of Financial Products, and make efforts toward information security and personal information protection.

Organization

JAPAN POST SERVICE will consist of the head office, 13 regional offices, 1,093 branch offices, one international accounting center, two mail transportation centers, four logistics centers, and one customer service inquiry center.

Employees

JAPAN POST SERVICE will take over about 100,100 employees of Japan Post, as well as reappointed staff and postal short-time workers.

Financial conditions

Assets: 1,942.0 billion yen (including branch offices, the logistics center, stocks of subsidiaries, such as JP Biz Mail Co., Ltd.)
Liabilities: 1,742.0 billion yen (including reserve for retirement benefits)

Net assets: 200.0 billion yen

Outlook for profit/loss

Net income: 34.0 billion yen (FY2008)
45.0 billion yen (FY2011)

JAPAN POST NETWORK Co., Ltd.

Management philosophy

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

Corporate governance

1. JAPAN POST NETWORK will be a company with board of corporate auditors. Under the management meeting, it will establish special committees, such as the compliance committee and the risk management committee.
2. JAPAN POST NETWORK will establish the inspection & audit department that is independent from departments to be audited, and 50 regional inspection & audit offices nationwide.
3. JAPAN POST NETWORK will establish the compliance supervisory department at the head office, and the compliance office at regional offices, where compliance officers will be assigned. JAPAN POST SERVICE will also post personnel in charge of compliance at each department and post office.

Business strategy

1. Establishment of a hub-and-spoke system based on post office networks nationwide

JAPAN POST NETWORK will enhance its consulting service for customers on their life plan and asset building, for example, by providing investment trusts under a close cooperation between post offices with smaller number of staff (spoke) and post offices which have specialist staff to sell investment trusts (hub).

2. Active sales of various financial products meeting customers' needs

JAPAN POST NETWORK will increase the number of post offices which provide investment trusts, expand its lineup of investment trusts, and actively sell automobile insurance products (immediately after the privatization), and life and non-life insurance products, such as variable annuities and third-sector insurance products.

3. Business strategy for new businesses such as real estate

JAPAN POST NETWORK will engage in the real estate development business, and rent, manage and sell its three central post offices as offices, commercial facilities and housing. It will also conduct the real estate leasing/management business, including operations of parking lots and shops for rent by effectively utilizing less or unused properties, as well as the mail-order business such as catalog sales.

4. Improvement of operations quality

JAPAN POST NETWORK will give operational guidance to post offices and inspect post offices, maintain a high security level by providing thoroughgoing training, etc., manage personal information appropriately as a bank agency and a financial product agency, and secure internal control for financial reports that conform to examination requirements for three Group companies' listing.

5. Improvement of efficiency

JAPAN POST NETWORK will standardize and simplify various operations processing schemes, and improve service counter staff's knowledge and skills.

6. Reform of wage system

JAPAN POST NETWORK will establish a wage system based on employees' ability and performance, taking into account various allowances to enhance employees' incentive.

7. Autonomous management through profit/loss management by post office and introduction of unique systems

JAPAN POST NETWORK will introduce a profit/loss management by post office and general-purpose terminals, and develop full-scale systems.

8. Promotion of CSR

JAPAN POST NETWORK will manage its offices with emphasis on conservation of energy and natural resources and on environmental protection, actively subcontract operations for local public organizations, provide nationwide information on regional special products, and implement exchanges with local residents.

Organization

JAPAN POST NETWORK will consist of the head office, 13 regional offices, about 24,000 post offices, 10 training centers and 50 regional inspection & audit offices.

*10 to 20 post offices constitute an area group and about 10 area groups constitute a region group.

Employees

JAPAN POST NETWORK will take over about 120,700 employees of Japan Post, as well as reappointed staff.

Financial conditions

Assets: 3,340.0 billion yen (including cash, regional offices, three central post offices, non-collection and delivery post offices, company houses and staff training institutes)
Liabilities: 3,140.0 billion yen (including deposits from two financial companies and reserve for retirement benefits)

Net assets: 200.0 billion yen

Outlook for profit/loss

Net income: 50.0 billion yen (FY2008)
49.0 billion yen (FY2011)

JAPAN POST BANK Co., Ltd.

Management philosophy

JAPAN POST BANK aims to become a “reliable bank that is readily available” with customers’ voice as a compass for the future.

Corporate governance

1. JAPAN POST BANK will be a company with committees, and establish the nomination, audit and compensation committees. Under the management meeting, it will also set up special committees, such as the risk management committee, the compliance committee and the ALM committee.
2. JAPAN POST BANK will establish the inspection & audit department that is independent from departments to be audited, and this department will support the audit committee.
3. JAPAN POST BANK will introduce the “integrated risk management” method, as well as the RCSA method against operational risks to implement quantitative and qualitative risk management according to risk characteristics.
4. JAPAN POST BANK will establish a compliance supervisory office, where compliance officers will be assigned. It will also post personnel in charge of compliance at each office.
5. JAPAN POST BANK will reinforce the system for managing and supervising the agent (JAPAN POST NETWORK).

Business strategy

1. Realization of business models and sophistication of ALM

JAPAN POST BANK will disperse risks and diversify earnings sources, by diversifying means of investments (into trading of derivatives, acquisition and sales of monetary credits, syndicated loans, securitized products, beneficiary rights, and investments in stocks), while controlling interest rates-associated risks appropriately.

2. Realization of retail business models

- Development and selection of distinctive products
JAPAN POST BANK will implement unique product strategies, including development of custom-made investment products, which are attractive so that investors want to hold over the long term, easy-to-understand, and of low costs/high quality.

- Producing group synergies from combination with JAPAN POST NETWORK

JAPAN POST BANK will strengthen channels of post office networks, by providing its infrastructure and sales support tools, improve the compliance system, help improve quality and enhance training programs.

- Establishment of consulting-based marketing
JAPAN POST BANK will boost consulting-based marketing activities about customers’ life plan and asset building (through proposal of investment portfolios consisting of deposits, investment trusts, etc., promotion of the businesses of housing loans, card loans and credit cards, and operations of offices specializing in consulting services).

3. Enhancement of internal control

JAPAN POST BANK will overhaul its operational flows, etc., in preparation for its listing, including measures for ensuring conformity to the Law on Sales of Financial Products, and further improve and strengthen its internal control system.

4. Strengthening of management foundations

JAPAN POST BANK will reform and enhance the personnel system by adopting the evaluation and wage systems with emphasis on employees’ capabilities and performance, and make operations more efficient.

Organization

JAPAN POST BANK will consist of the head office, 234 offices, 49 regional centers, 11 Postal Savings Operations Centers and two Postal Savings Computer Centers.

Employees

JAPAN POST BANK will take over about 11,600 employees of Japan Post, as well as reappointed staff.

Financial conditions

Assets: 222,225.0 billion yen (including securities, loans to the Deposit Insurance Corporation and postal savings operations centers)

Liabilities: 214,558.0 billion yen (including transfer savings, ordinary savings, special savings, borrowings and reserve for employees’ retirement benefits)

Net assets: 7,667.0 billion yen

Outlook for profit/loss

Net income: 321.0 billion yen (FY2008)

304.0 billion yen (FY2011)

Balance of savings: 188 trillion yen (at the time of privatization)

164 trillion yen (at the end of fiscal 2011)

JAPAN POST INSURANCE Co., Ltd.

Management philosophy

JAPAN POST INSURANCE aims to be the “most reliable insurance company that is readily available,” while gazing into the future together with customers.

Corporate governance

1. JAPAN POST INSURANCE will be a company with committees, and establish the nomination, audit and compensation committees. Under the management meeting, it will also set up special committees, such as the risk management committee, the compliance committee and the earnings management committee.
2. JAPAN POST INSURANCE will establish the inspection & audit division that is independent from departments to be audited, and this division will support the audit committee.
3. To promote appropriate solicitation of insurance, JAPAN POST INSURANCE will provide education and training for life insurance solicitors, and inspect received contracts on the spot.
4. JAPAN POST INSURANCE will establish the risk management supervisory division to comprehensively manage risks according to risk characteristics.
5. JAPAN POST INSURANCE will set up the compliance supervisory division at the head office and area compliance offices at 13 supervisory branch offices, where full-time compliance officers are assigned. It will also post personnel in charge of compliance at directly-run offices, service centers, etc.

Business strategy

1. Establishment of new sales models

(Channel of post offices)

- Product strategy

-- JAPAN POST INSURANCE will regard Education Endowment Insurance and Endowment Insurance as mainstay products, as it has done so far, and aim to increase profits by improving medical riders and introducing new products, including the one in which the maximum amount is increased in case of the elapse of a certain period after the entry.

-- JAPAN POST INSURANCE will reconsider eligible ages for Ordinary Endowment Insurance, etc.

-- JAPAN POST INSURANCE will reinforce its management structure, and develop/offer new products including third-sector products. To this end, JAPAN POST INSURANCE may form an alliance with other companies.

- Market/channel strategies

-- JAPAN POST INSURANCE will expand sales of guarantee-type products (such as Special Endowment Insurance and 2-fold Coverage Type Whole Life Insurance) through salespersons, and sales of saving-type products (such as Education Endowment Insurance and Endowment Insurance) through post office counters.

(Channel of directly-run offices)

- Product strategy

JAPAN POST INSURANCE will make Endowment Insurance, which is designed for employees’ welfare, its mainstay product for corporations, while undertaking from other companies insurances for managers, including Long-Term Level Term Life Insurance, and offering them.

- Market strategy

JAPAN POST INSURANCE will position contracts by small and midsize firms as its main business domain, while exploring the market for individuals.

2. Improvement of business infrastructures

- Overhaul of operations and system infrastructures

JAPAN POST INSURANCE will standardize operations so that it can efficiently assign staff, and systematize operations to make undertaking and payment operation flows efficient.

- Reform of personnel and wage systems

JAPAN POST INSURANCE will adopt the double track personnel administration system and the incentive-based wage system.

3. Establishment and enhancement of internal control, etc.

JAPAN POST INSURANCE will reinforce its internal control system in preparation for its listing, including measures for ensuring conformity to the Law on Sales of Financial Products, establish a system for managing undertaking and payment by systematizing checking functions and assigning staff on a priority basis, and improve a system for managing personal information.

4. Maintaining soundness of financial foundation

JAPAN POST INSURANCE will expand profit-earning opportunities through enhancement of internal management accounting, improvement of its ALM method, sophistication of ALM by improving and boosting systems, and diversified investment vehicles (such as syndicated loans, beneficiary rights and investments in stocks).

5. Contribution to regions and society

JAPAN POST INSURANCE will proactively contribute to improving people’s health, and operate businesses that are friendly to people and the environment.

Organization

JAPAN POST INSURANCE will consist of the head office, 81 directly-run offices, five service centers and one call center.

Employees

JAPAN POST INSURANCE will take over about 5,400 employees of Japan Post as well as reappointed staff.

Financial conditions

Assets: 112,855.0 billion yen (including securities, loans to the Deposit Insurance Corporation and the Postal Life Insurance Operations Center)

Liabilities: 111,855.0 billion yen (including policy reserves, reserve for price fluctuations and reserve for employees’ retirement benefits)

Net assets: 1 trillion yen

Outlook for profit/loss

Net income: 41.0 billion yen (FY2008)

130.0 billion yen (FY2011)

Balance of total assets: 113 trillion yen (at the time of privatization)

91 trillion yen (at the end of fiscal 2011)

2. JAPAN POST GROUP's Slogan, Logo and Uniform

New Slogan

“Atarashii-futsu-wo-tsukuru.” (Note 1)

-“Futsu” (Note 2) expresses two thoughts

“Futsu” represents the peace of mind and trust which customers have when using our services and which are invaluable assets for the JAPAN POST GROUP.

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

- Thoughts expressed in “Atarashii-futsu-wo-tsukuru.”

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

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

The new slogan represents the idea that the JAPAN POST GROUP will continue to remain close to customers, implementing reforms and growing together with those we serve.

Note 1: a Japanese expression by which we intend to show creating new value services

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

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

Corporate Logos



The new logos of JAPAN POST GROUP, “JP”, have been designed to reflect our heart supporting the “J” and “P” of Japan Post, that respectively offer the highest-quality services for the convenience and security of our customers, regions and society, as well as a reliable entity that continues to exist side by side with our customers we seek to benefit. From another perspective, “J” represents all our customers within the nation and internationally, and “P” JAPAN POST GROUP, through which we intend to express the supportive attitude of the JAPAN POST GROUP toward our customers and society through Japan’s largest collection and delivery networks and through continuously providing universal services for the new era.

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JAPAN POST HOLDINGS Co., Ltd.

JAPAN POST HOLDINGS has always used the traditional color “red” for its logo. As the holding company, serving as the core of the Group, JAPAN POST HOLDINGS will carry on the proud history of Japan’s postal business, while reforming it to meet the challenges of the new era. The refined, deep “Yusei red” will thus be used to express the enhanced reliability of the newly privatized “JAPAN POST GROUP”.



JAPAN POST SERVICE Co., Ltd.

The color of this logo will be changed to the modern “Yubin red” (the same color as “Yusei red”) portraying the aim that JAPAN POST SERVICE, like JAPAN POST HOLDINGS, will also assume the advancing of the history and tradition of Japan’s postal business, and provide essential universal service for the coming new era.



JAPAN POST NETWORK Co., Ltd.

JAPAN POST NETWORK will use “Yubinkyoku orange” for its logo to represent familiarity, security and comfort as a reliable entity with close association to local people.



JAPAN POST BANK Co., Ltd.

JAPAN POST BANK has chosen “Yucho green” to express its refreshing image because it will become a more enterprising bank institution founded on the reliability that Japan Post has long fostered.



JAPAN POST INSURANCE Co., Ltd.

JAPAN POST INSURANCE will use a refined bright blue, “Kampo blue,” for its logo because it aims to become a more progressive life insurance company reflecting the security that Japan Post has long cultivated.

New Uniforms

With regard to uniforms of four new companies' employees, the designs have been developed after making investigations and discussions from various perspectives, including the current business environment and functions. Questionnaires were conducted on the developed designs and new designs have been adopted.

The design concept for JAPAN POST SERVICE Co., Ltd. represents a new image that combines "sense of security" with "sense of confidence" based on a simple and sporty design. As a safety measures at night, reflecting materials are used for the golden accent part. The uniforms of staff engaged in the Yu-Pack service have a daring design with the symbol mark, whose image is coordinated with that of package, etc.

Uniform designs for employees at JAPAN POST NETWORK Co., Ltd., JAPAN POST BANK Co., Ltd., and JAPAN POST INSURANCE Co., Ltd. have the same image in different colors so that they represent the sense of unity as Group companies and each company's originality by effectively arranging individual CI color. The entire design image is basically of suit style and makes people feel friendly, with emphasis on "sense of security" and "sense of confidence."

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JAPAN POST SERVICE Co., Ltd.



Featuring gold on a navy background, uniforms for JAPAN POST SERVICE leave speedy, fashionable and sporty impressions. The uniforms are designed, after carefully examining functionalities for various activities, so that users feel easy to move and wear. The gold accent part uses reflecting materials as safety measures for staffs who drive a motorbike at night. There are an emblem with the new logo mark on the right chest, a print of the logo mark on the back, and the 卍 mark on the right sleeve and the cap. These features represent the identities of the Group and the new company.

(For Yu-Pack staff)



The uniforms feature the Yu-Pack logo mark that is daringly decorated on the navy color background. This design is intended to make the harmony of impact and packages stand out.

The uniforms are also designed, after carefully examining functionalities for various activities, so that users feel easy to move and wear. The silver accent part uses reflecting materials.

There are a print of the Yu-Pack logo mark on the left chest and on the center of the back, and the 卍 mark on the right sleeve. These features represent the identities of the Group and the new company.

JAPAN POST NETWORK Co., Ltd.



These suit-style uniforms are charcoal gray and feature the accent of orange, the new symbol color.

There are an emblem with the new logo mark on the right chest and the $\overline{\Gamma}$ mark on the right sleeve. The neck and the edge of the sleeve reflect the CI color of orange. These features represent the identities of the Group and the new company.

The necktie and the tongue tie also feature the image of new company. Vests and skirts for women have orange stripes.

JAPAN POST BANK Co., Ltd.



These suit-style uniforms are navy and feature the accent of new symbol color green.

There are an emblem with the new logo mark on the right chest and the $\overline{\Gamma}$ mark on the right sleeve. The neck and the edge of the sleeve reflect the CI color of green. These features represent the identities of the Group and the new company.

The necktie, the ribbon, etc. also feature the image of new company. Skirts for women have mermaid lines showing tenderness.

JAPAN POST INSURANCE Co., Ltd.



These suit-style uniforms are navy and feature the accent of new symbol color blue.

There are an emblem with the new logo mark on the right chest and the $\overline{\Gamma}$ mark on the right sleeve. The neck and the edge of the sleeve reflect the CI color of blue. These features represent the identities of the Group and the new company.

The necktie, the ribbon, etc. also feature the image of new company. Vests, skirts and culottes for women are blue and have stripes.

Privatization Q&A

Answers to FAQs about privatization

How will post offices change after privatization?

We will provide the same services after privatization as we have been doing.

Post offices will be located nationwide as at present and we continue to provide uniform services of “Postal Service,” “Postal Savings” and “Postal Life Insurance” at postal service windows nationwide.

Will the existing postage stamps and postcards be valid after privatization?

Yes, you can use them as at present.

Stamps you have bought before privatization can still be used to pay postage after privatization. In the meantime, postcards can be used as they are.



You can use them as at present.

▶ Please refer to page 34

How will the current Postal Savings and Postal Life Insurance services change?

Post office will continue to offer postal savings and postal life insurance services.

Ordinary savings that you have deposited with post offices before privatization will be handed over to JAPAN POST BANK Co., Ltd. after privatization. Time deposits and postal life insurance policies will be taken over by the Independent Administrative Agency Management Organization for Postal Savings and Postal Life Insurance after the privatization.

In the meantime, post offices will continue to handle various claims and paperwork with regard to postal savings and postal life insurance services as at present.

* The Independent Administrative Agency Management Organization for Postal Savings and Postal Life Insurance: an independent administrative agency that will be established with the aim of taking over and performing the existing postal savings and postal life insurance policies. ▶ Refer to pages 36 and 41

Do customers need to go through certain procedures concerning postal savings and postal life insurance policies for which we have signed up before privatization?

You do not need to go through any particular procedures.

Ordinary postal savings passbook, cash cards, certificates of insurance, postal insurance premium receipt books and postal insurance cards you have now will still be valid after privatization.



No procedures are necessary!

▶ Please refer to pages 36-40 and 42-43

Will postal savings and postal life insurance policies for which customers have signed up before privatization continue to be covered by the government guarantee after privatization?

The coverage of the government guarantee will be different depending on the individual service as listed below.

Type of service	Status of government guarantee
Ordinary savings, etc.	Not covered by the government guarantee
Time deposits	Continue to be covered by the government guarantee
Postal life insurance	Continue to be covered by the government guarantee

▶ Please refer to pages 36 and 41

Will the coverage of postal life insurance policies change after privatization?

The coverage of postal life insurance policies will not change.

We will offer the same coverage for postal life insurance policies which you applied before privatization. ▶ Refer to page 42

Will the tax-free status continue to be applicable to postal savings?

The system of tax exemption for interest on certain postal savings (tax-free small saving system) will be abolished after privatization.

Tax-free status will continue to be applied to tax-free time deposits which we keep on deposit now until they reach maturity. ▶ Please refer to page 37

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Postal Services

Will postal services change after privatization?

We will provide services nationwide as we have been doing.

We will deliver mail items such as letters and postcards to mail addresses nationwide with reliability as we have been doing. "Postal Certification Officers," who are newly appointed by the Minister of Internal Affairs and Communications, will be assigned to ensure the appropriate handling of content-certified mail items and special domestic mail services.

Although the Postal Services Law will no longer be applied to various small parcels after privatization, we will continue to deliver to mail addresses nationwide as we have been doing.

In the meantime, we will change the name of services as follows: Ordinary Parcel to Yu-Pack; Booklet Parcel to Yu-Mail; Standard-size Parcel to EXPACK; Simple Parcel Post to POSPACKET.



Yu-Pack
(Ordinary Parcel)



Yu-Mail
(Booklet Parcel)



EXPACK
(Standard-size Parcel)



POSPACKET
(Simple Parcel Post)

We will handle the above services as at present.

Will you continue to accept outbound mail items after privatization?



Customers can continue to use mailboxes.

We will continue to accept outbound mail items at post offices and through mailboxes nationwide as at present.

As at present, post offices and mailboxes nationwide will accept outbound mail items, Yu-Mails, EXPACKs and POSPACKETs. Also, Yu-Pack pick-up points such as Convenience Stores, in addition to post offices, will accept Yu-Packs. In addition, collection service for parcels such as Yu-Packs will also be available.

How will postal delivery service change?

We will continue to deliver mail items to mail addresses nationwide as we have been doing.

As at present, we will in principle deliver mail items to mail addresses nationwide within one-to-three-days delivery time. In addition, we will guarantee delivery on six days a week or more. We will maintain the same services for the delivery of parcels such as Yu-Packs.

Services such as notification service of delivery completion and forwarding address service when you are changing residence will also be available as at present.



We will deliver your mail items as we have been doing.

Will postages change after privatization?



There will be no change to postages.

There will be no changes to postages for mail items such as mails and Yu-Packs due to privatization. Mails such as letters (first-class mails) and postcards (second-class mails) will be delivered nationwide at a flat rate as at present.

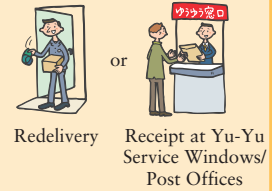
We will maintain lower postage service for periodical publications including newspapers and magazines, as well as educational and correspondence course materials, and postage-free service for Braille materials for the visually-challenged (third-class and fourth-class mail items). In addition, we will also continue to exempt postal charges in times of disaster as at present.

Where can customers contact to make inquiries about mail items?

For inquiries concerning mail items, you can make inquiries at post offices or **Postal Services Consultation Center (toll-free number: 0120-23-28-86)**. For specialized inquiries about delivery and postal services, please ask at branches of JAPAN POST SERVICE Co., Ltd. that will be established at 1,000 locations nationwide as service bases for delivery and sorting.

How can we ask for redelivery of mail items?

As for mail items which we brought back due to the absence of recipients, we will make redelivery of these items at the request of the recipient. Or, the recipient can receive the mail item at the post office designated by the recipient customer or at Yu-Yu Service Windows of JAPAN POST SERVICE Co., Ltd. with prior notification.



Will you continue to provide compensation for damage or loss?

Yu-Packs will become applicable to compensation for damages (with the maximum amount of compensation limited to freight charges, etc.) in the case of delay in delivery, in addition to the conventional service of compensation for damage or loss.

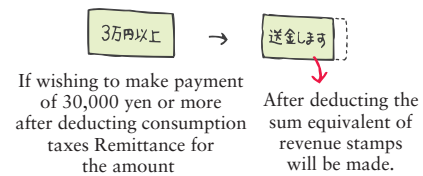
Yu-Mails (booklet parcel), EXPACKs (standard-size parcel) and POSPACKETs (simple small parcel) will be newly covered by compensation for damage or loss (by means of return of freight charge).

* As for the coverage of compensation for mail items such as letters, only delivery-recorded mail items such as registered mails are subject to coverage as at present.

[Other changes]

Charges for mail items that are sent as payment on delivery will be changed.

If the payment for payment-on-delivery mail items or Yu-Packs after deducting consumption taxes amounts to 30,000 yen or more, we will make a remittance for the amount after deducting the sum equivalent of revenue stamps. If you wish to make a remittance through money orders or money transfers at JAPAN POST BANK Co., Ltd., please note that charges for both services will be changed.



The method of paying custom duties on mail items from abroad will be changed.

When you wish to receive mail items for which custom duties are imposed on delivery, you will entrust the payment of tax duties, etc. to JAPAN POST SERVICE Co., Ltd., but you still entrust cash in equivalent of custom duties to mail delivery persons as you have been doing.

When you wish not to entrust the payment of tax duties, etc. to JAPAN POST SERVICE Co., Ltd., you need to pay tax duties, etc. directly at revenue agencies of Bank of Japan such as postal savings service windows at post offices before receiving mail items.

* Tax duties, etc. refer to tax duties, internal tax on consumption, and cargo levy (local consumption tax).

We will issue Customer Card to customers who send mail items using deferred payment system.

We will issue Customer Card to customers who use deferred payment system to ensure smooth acceptance of mail items. We apologize to customers for the trouble of presenting the Customer Card at the time of sending mail items such as mails and Yu-Packs through deferred payment system. When you send mail items using this Customer Card, you can browse through details of postages on mail items such as mails and Yu-Packs sent through deferred payment system anytime on the Internet. Customers who are using deferred payment system at present will receive Customer Card by the end of September.

In the meantime, we will implement system maintenance for the system migration toward privatization. Therefore, those customers who are scheduled to receive request for approval in late September are cordially asked to make the request in early September or in October and afterward. We apologize to you for your inconvenience.



Postal Savings

Who will take over the existing postal savings?

Ordinary postal savings will be handed over to JAPAN POST BANK Co., Ltd.

Postal savings you have deposited with post offices before privatization will be divided into old savings contracts (time savings) and new savings contracts (ordinary savings, etc.), and old savings contracts will be handed over to the Independent Administrative Agency Management Organization for Postal Savings and Postal Life Insurance (hereinafter, “the Management Organization for Postal Savings and Postal Life Insurance”) and new contracts to JAPAN POST BANK Co., Ltd. (hereinafter, “JAPAN POST BANK.”)

The Management Organization for Postal Savings and Postal Life Insurance will consign withdrawal operation for existing postal savings and various procedures concerning postal savings to JAPAN POST BANK, which will re-consign these operations to JAPAN POST NETWORK Co., Ltd. to be handled by directly managed branches of JAPAN POST BANK as well as post offices (banking agencies). The coverage of guarantee on these savings will be as described below.

Old savings contracts

[Time savings]

- Teigaku Savings
- New Time Savings
- Collection Savings
- Housing Collection Savings
- Education Collection Savings (including time savings that are transferred to ordinary savings after the date of maturity)

Handed over to

The Management Organization for Postal Savings and Postal Life Insurance

New savings contracts

[Ordinary savings]

- Ordinary savings
- New ordinary savings
- Deposits in postal Giro accounts

Handed over to

JAPAN POST BANK Co., Ltd.

* ATMs installed at directly managed branches of JAPAN POST BANK and post offices (banking agencies) will be available for use as at present.

Will postal savings continue to be covered by the government guarantee?

The status of the government guarantee will be different depending on the type of postal savings as follows:

Postal savings you have deposited with post office before privatization will be taken over by different entities depending on whether they are ordinary savings or time savings, and the coverage of the government guarantee will be as described in the table below.

Type of postal savings	Details of deposit guarantee
Ordinary savings New ordinary savings	As ordinary savings and new ordinary savings will be treated as savings accepted by JAPAN POST BANK at the time of privatization, they will not be covered by the government guarantee. However, these savings and those you deposit after privatization of up to the combined total principal of 10 million yen and interest on such savings will be protected under the deposit insurance system as in the case of deposits with other financial institutions.
Deposits in postal Giro accounts	As deposits in postal Giro accounts will be treated as savings accepted by JAPAN POST BANK at the time of privatization, they will not be covered by the government guarantee. However, since they fall under the category of deposits for settlement, the entire amount of these deposits will be protected under the deposit insurance system as in the case of deposits with other financial institutions.
Time savings (Teigaku savings; Time savings; Collection savings; Housing collection savings; Education collection savings)	Time savings will be handed over to the Management Organization for Postal Savings and Postal Life Insurance at the time of privatization and the government guarantee will continue to be applied.

* Savings you deposit after privatization will not be covered by the government guarantee unlike the existing postal savings. However, principals of up to 10 million yen and interest on such deposits will be covered (cf. the entire amount of savings that fall under the category of deposit for settlement will be covered) under the deposit insurance system as in the case of deposits with other financial institutions.

Will you maintain the tax-free small saving system?

After privatization, tax-free small saving system (special Maru-Yu system) for interests on postal savings will be abolished. However, tax-free time savings you have deposited with us before privatization will maintain nontaxable status as at present until maturity without requiring any particular procedures. (Tax-free status will not be applicable to ordinary savings and new ordinary savings effective October 1, 2007 and interests on savings earned after privatization will be subject to taxation.)

Please note that, after privatization, there will be a tax-free system on small savings in which tax-free limit (3.5 million yen) will be applicable in combined total with deposits with other financial institutions.

What will happen to the ceiling for total amount of savings?

After privatization, customers will be applied the ceiling limiting the maximum amount of savings to 10 million yen per customer in combined total of postal savings deposited before privatization and savings with JAPAN POST BANK (excluding deposits in postal GIRO accounts) at the beginning of privatization.

In the meantime, customers will be allowed to deposit up to 5.5 million yen as Teigaku savings for wage earner's property accumulation separately from the above-mentioned ceiling limiting savings to 10 million yen at the maximum.

Will you continue to apply "cancellation of rights on savings"?

Since provisions specified in the Postal Savings Law (which will be abolished at the time of privatization) will be applicable to cancellation of rights on postal savings deposited before privatization (excluding those handed over to JAPAN POST BANK; For details, please refer to page 36), we will send a notification letter to the depositor in the event where the relevant savings are left intact for 20 years from the day after the last account activity or maturity (anniversary date of deposit). Then, if the depositor fails to make deposit withdrawal within two months from the date of sending of the relevant notification letter, his/her rights on the relevant savings shall be cancelled.

Will postal savings withdrawal applications, money order certificates and postal money transfer certificates issued before privatization still be valid?

Obligations for payment concerning postal savings withdrawal applications, money order certificates and postal money transfer certificates that are issued before privatization will be handed over to JAPAN POST BANK. You can receive payment for them at directly managed branches of JAPAN POST BANK or post offices (banking agencies) after privatization.

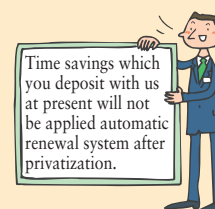
In the meantime, the period of cancellation of rights will be three years (one year in the case of Postal orders certificates) after the validity period of six months after the date of issue as at present.

* After privatization, we will not reissue postal savings withdrawal applications, money order certificates and postal money transfer certificates which were issued before privatization. In the event where customers request reissuance of these certificates for reasons such as lapse of validity period, they will receive the face amount in cash.

Will there be any changes to handling of time savings?

Following the abolition of the Postal Savings Law, we will not in principle accept new savings as postal savings and automatic renewal system will not be applicable to time savings after privatization. Therefore, customers are recommended to take procedures for renewal of savings at an early date after the day following maturity (anniversary date of savings) at directly managed branches of JAPAN POST BANK or post offices (banking agencies).

* Time savings which are deposited after privatization will be applicable to automatic renewal system.



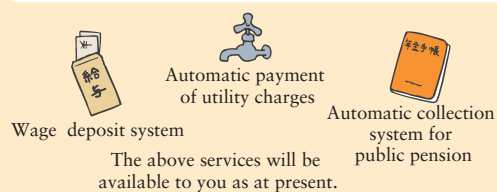
Will users of Yu-Yu Loan be necessary to take any procedures?

Yu-Yu Loans arranged before privatization will be handed over to the Management Organization for Postal Savings and Postal Life Insurance and customers using the loan will not be required to go through any particular procedures. Note, however, that due date of Yu-Yu Loans collateralized by time savings will be advanced to the date of maturity of time savings (the day before the anniversary of the deposit date) since the automatic renewal system will not be applicable to time savings after privatization.

In the meantime, customers will continue to borrow against the balance in their Collection savings, Teigaku savings, Time savings and Teigaku savings for wage earner's property accumulation (general/annuity/housing) which were deposited before privatization through Yu-Yu Loans.

* Time deposits which will be deposited after privatization will be applicable to automatic renewal system.

Will you maintain services such as automatic payment of utility charges, wage deposit system and automatic collection system for public pension after privatization?



Services such as automatic payment of utility charges, wage deposit system and automatic collection system for public pension will be handed over to JAPAN POST BANK. Therefore, customers will not need to go through any particular procedures.

Can we continue to use the current passbooks, deposit certificates and cash cards?

The use of current pass books, deposit certificates and cash cards after privatization is as follows.

Postal savings integrated passbooks and new ordinary savings passbooks:

Both Postal savings integrated passbooks and new ordinary savings passbooks can be used as passbooks of JAPAN POST BANK after privatization. When your passbooks are left with no blank space, we will replace them with new passbooks.

Note, however, that we cannot accept new deposits in the collateralized Teigaku savings and Time savings accounts currently in the integrated passbooks, except for customers who have IC cash cards. Therefore, we will replace integrated passbooks of customers who do not have IC cash cards with new passbooks of JAPAN POST BANK when they make new deposits.

Please remember to bring identity verification documents such as health insurance ID card at the time of replacing passbooks because we need to check to see if there are any changes in address, name and date of birth of customers.

Cash cards (including postal savings IC cash cards and Joint Cards):

Cash cards will continue to be valid after privatization.



Valid after privatization

Collection savings passbooks/Housing collection savings passbooks/Education collection savings passbooks:

These will be accepted as passbooks of the Management Organization for Postal Savings and Postal Life Insurance for making withdrawals and deposits after privatization.

Teigaku and Time savings certificates:

These will be accepted as savings certificates of the Management Organization for Postal Savings and Postal Life Insurance after privatization and customers will be able to make withdrawals only (customers will not be allowed to make deposits even when there is blank space in passbook savings certificates.)

Teigaku savings for wage earner's property accumulation certificates:

Customers with these certificates will still be allowed to make deposits and withdrawals after privatization (Deposits after privatization will be held as Teigaku savings for wage earner's property accumulation of JAPAN POST BANK). We will keep your savings certificate when you make your first deposit after privatization to replace it with savings certificate of JAPAN POST BANK. Note, however, that if you have safekeeping receipt, you can make deposits and withdrawals as at present.

What are products and services of JAPAN POST BANK?

Principal products and services of JAPAN POST BANK are as follows:

JAPAN POST BANK	(Reference) Similar products and services of Japan Post
Ordinary savings	Ordinary savings
New ordinary savings	New ordinary savings
Teigaku savings	Teigaku savings
Time savings * Time savings with deposit term of 5 years will be newly available. (only for collateralized time savings)	Time savings
Automatic teigaku savings/Automatic time savings * The number of Teigaku savings and Time savings contracts are limited to <u>five</u> in total at the maximum per ordinary savings contract.	Automatic teigaku savings/Automatic time savings * Teigaku savings and Time savings are limited to <u>one</u> contract in total per ordinary savings contract.
Maturity lump-sum transfer time savings * Simplified product feature (shortening of installment period, etc.) * The number of contracts is limited to <u>three</u> per ordinary savings contract.	Maturity lump-sum transfer time savings * The number of contracts is limited to <u>one</u> per ordinary savings contract.
New welfare time savings	New welfare time savings
Teigaku savings for wage earner's property accumulation (general/annuity/housing)	Teigaku savings for wage earner's property accumulation (general/annuity/housing)
Term loans (only against the balance of collateralized Teigaku savings for wage earner's property accumulation)	Term loans
Transfer account * Some of the services are different from those offered by Japan Post. We will separately notify customers of transfer accounts of the detail of services.	Postal Giro account
Telegraphic in-payments (limited to payment at service counter)	Telegraphic in-payments (payment by money order/payment at home/payment at a post office counter)
Yucho Direct (telephone/Internet/mobile)	Home Service (telephone/Internet/mobile)
Products and services listed on the right column <u>will not be offered</u> by JAPAN POST BANK.	International volunteer savings/Nursing care time saving/Collection savings/Housing collection savings/Education collection savings/Telegraphic money orders (payment by money order/payment at home/payment at a post office counter)/Ordinary money orders

* Following services will be offered as at present: automatic loans; ordinary money orders; postal orders; ordinary cash payments; summary payments; check payment; ordinary in-payments; in-payment for taxes and fees; telegraphic in-payments; payroll transfers; automatic pension payments; telegraphic transfer; automatic debit transfer; automatic in-payments; government bond; investment trust; defined contribution; international remittance services; foreign currency exchange; and travelers checks.

Where can customers receive services of JAPAN POST BANK?

Services of JAPAN POST BANK will be offered at directly managed branches of JAPAN POST BANK and post offices (banking agencies) as at present. Business hours of directly managed branches of JAPAN POST BANK and post offices (banking agencies) and operating hours of ATMs will be the same as at present.




We offer the same services as at present.

Will you continue to offer investment trust services?

Investment Trust Business will be handed over to JAPAN POST BANK. However, we will continue to offer investment trust services at offices (directly managed branches of JAPAN POST BANK or post offices) which currently offer the services.

In the meantime, post offices will become financial products brokers that offer investment trust services based on consignment agreement from JAPAN POST BANK.

For consultation concerning investment trust services:  0800-8004104 (toll-free number)

Please contact Investment Trust Call Center

Weekdays: 9:00 – 18:00 (Excluding Saturdays, Sundays, Holidays and the period from December 31 to January 3)

Will the Home Service continued to be available after privatization?

Home Service will change the name to Yucho Direct, but customers who are already using the service can continue to use it without any particular procedures as at present.

Yucho Direct website will have screens redesigned to make them more user-friendly and more convenient functions including pre-registration of accounts for bank transfers will be made available.

In addition, we will simplify procedures for signing up for the service considerably. Therefore, we recommend those customers who do not use the service now will sign up for it.



Do customers need to go through procedures for personal identification again after privatization?

We need to confirm if there are any changes to address, name and date of birth of customers at the time of replacing Postal savings integrated passbooks and New ordinary savings passbooks with passbooks of JAPAN POST BANK even if we have already checked personal identification of the customer. Please remember to bring identity verification documents such as health insurance ID card when replacing your old passbooks with new ones.

Please present your identity verification documents at the time of replacing your passbooks with new ones after privatization.



Customers who have passbooks or cash cards with which we have confirmed address, name and date of birth after privatization will just need to present the passbooks or cash cards and not be required to present identity verification documents at the time of making deposits in time savings accounts.

Customers who do not have ordinary savings accounts are recommended to open accounts for them.

For what purposes will personal information you obtained concerning old savings contracts (time savings which were deposited before privatization) be handled?

Based on the “Implementation Plan Concerning the Business Succession of Japan Post,” which will be subject to the approval of the government on the basis of the Postal Services Privatization Law, personal information which was obtained concerning old postal savings contracts will be taken over by the Management Organization for Postal Savings and Postal Life Insurance as well as JAPAN POST BANK within the range deemed necessary for operations and functions that will be handed over from Japan Post.

Personal information obtained concerning old savings contracts that will be acquired by JAPAN POST BANK through succession of business will continue to be handled appropriately by the bank within the range of the following purposes of usage including provision of information on continuous transactions and advertisement of products and services.

[Purposes of usage]

- (1) For accepting applications for financial products and services such as opening accounts for various financial products.
- (2) For providing customer’s personal information to JAPAN POST NETWORK Co., Ltd. within the range necessary for handling various financial products and services of JAPAN POST BANK at post offices (banking agencies).
- (3) For confirmation of personal identification based on the Client Identification Law, Income Tax Law and Deposit Insurance Law and of qualification, etc. for using financial products and services.
- (4) For the management of continuous transactions such as due date control for deposit transactions and loan transactions, etc.
- (5) For making judgments for loan applications and continuation of loans, etc.
- (6) For judgment of adequateness of financial products and services offered, based on judgment etc. of principle of suitability etc.
- (7) For providing personal information to the third party within the range necessary to execute business appropriately, such as for the case where personal information will be provided to personal credit information agency with which we are associated for credit business.
- (8) For managing any outsourced operations appropriately, for the case where personal information processing in full or in part has been outsourced from other enterprises.
- (9) For executing rights and fulfilling obligations based on contracts with customers and laws and regulations, etc.
- (10) For the research and development of financial products and services, by means such as market research and analysis of data, as well as conducting questionnaires.
- (11) For making various proposals concerning financial products and services, such as for sending direct mails.
- (12) For making various proposals and advertisements on products and services of affiliated companies.
- (13) For cancellation of various transactions and management after cancellation of transactions.
- (14) For facilitating appropriate and smooth transactions with customers.

In the meantime, please notify post offices in the event where you do not wish to allow us to use your personal information concerning old savings contracts within the range necessary for the above-mentioned purposes of usage.

Postal Life Insurance Services

How will handling of postal life insurance policies change after privatization?

We will offer postal insurance services at post offices as we have been doing.

Postal life insurance policies which were purchased before privatization (effective October 1, 2007) will be handled at post office as at present. The details of postal life insurance policies including amount insured and period of insurance will not change because of privatization, and the government guarantee concerning insurance payment, etc. will be continued until the expiration of such insurance policies.

Under the Postal Services Privatization related Law, we will not be allowed to accept new postal life insurance policies after privatization (effective on October 1, 2007) and customers cannot purchase postal life insurance policies anew. In addition, customers will not be able to make changes such as increase of the sum insured for policies which have already been purchased (excluding Asset-formation Housing Funding Insurance, Asset-formation Endowment Annuity Insurance and Asset-formation whole-life annuity insurance), nor will you be able to add or change riders.

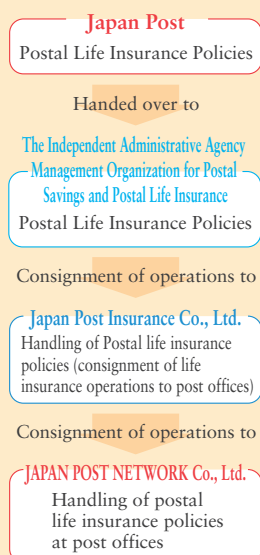
Postal life insurance policies purchased before privatization will be handed over to the Independent Administrative Agency Management Organization for Postal Savings and Postal Life Insurance (hereinafter, “the Management Organization for Postal Savings and Postal Life Insurance”), which will be newly established. However, handling of your insurance policies will be consigned to JAPAN POST NETWORK Co., Ltd. by the Management Organization of Postal Savings and Postal Life Insurance through Kampo Life Insurance. Therefore, post offices will continue to handle your postal life insurance policies as at present.

Will postal life insurance policies purchased before privatization continue to be covered by the government guarantee?

Government guarantee will continue to cover postal life insurance policies purchased before privatization until the expiration of such policies.

Postal life insurance policies purchased before privatization will be handed over to The Independent Administrative Agency Management Organization for Postal Savings and Postal Life Insurance which manages insurance policies and kept under its management until the expiration of such insurance policies. Government guarantee on insurance payment will be maintained until the expiration of the insurance policies.

Unlike the existing postal life insurance policies, life insurance policies of Japan Post Insurance will not have the government guarantee on insurance payment. However, they will be protected by policyholders’ protection system as with the case of other insurance companies.



1 Highlights

2 Topics

3 Management Efforts

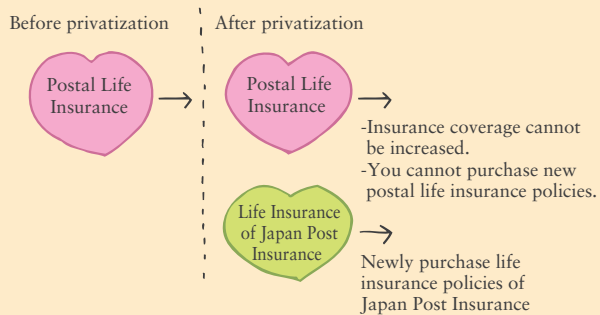
4 About Japan Post

5 Data

Will we be able to make changes to postal life insurance policies?

Since the Postal Life Insurance Law will be abolished at the time of privatization, customers will not be able to purchase postal life insurance policies after privatization. Therefore, customers cannot increase insurance coverage of postal life insurance policies which were purchased before privatization.

* Excluding Asset-formation Housing Funding Insurance, Asset-formation Endowment Annuity Insurance and Asset-formation whole-life annuity insurance.



Main details of insurance that will not be changed after privatization

● Changes in insurance coverage

Increase of the sum insured and change in the type of insurance policies; increase of the sum insured without changing the type of insurance policies; extension of insurance period; extension of insurance premium paying period; increase in the sum of additional nursing annuity

● Changes in riders

Increase of the sum insured without changing the type of riders; change in the type of riders; increase of the sum insured by changing the type of riders

● Addition of riders

- Addition of riders to basic insurance policies without riders
- Addition of riders different from those included already

Will insurance certificates, insurance premium receipt books and postal insurance cards continue to be valid after privatization?

Although insurance certificates, insurance premium receipt books and postal insurance cards of postal life insurance policies have names of Ministry of Posts and Telecommunications, Ministry of Internal Affairs and Communications and Japan Post written on them, they will remain valid after privatization as at present.



Handling of postal life insurance policies through postal insurance cards will be subject to the postal life insurance card regulations to be specified separately, not covenants of life insurance policies. However, there will not be any particular changes to handling of postal life insurance policies through postal insurance card.

Will there be any changes to various insurance claims and procedures?

Customers do not need to make any particular procedures concerning postal life insurance policies purchased before privatization.



Customers do not need to go through any particular procedures about postal life insurance policies purchased before privatization. Various claims and procedures concerning postal life insurance policies will continue to be handled at service windows of post offices nationwide after privatization.

Even if procedures for various claims, which customers made just before privatization, have not been completed at the start of privatization, you do not need to make procedures again.

Can customers continue to pay insurance premium from ordinary postal savings?

Customers who currently pay insurance premium of postal life insurance policies or receive pension through ordinary postal savings will continue to use the services of automatic withdrawal of insurance premium or receiving pension through ordinary savings of JAPAN POST BANK. Therefore, such customers do not need to make any particular procedures.

Customers who have deposit accounts with banks **do not need to go through any particular procedures, either.**

In the meantime, wording that will be printed on the passbooks of customers at the time of

paying insurance premium or receiving pension will be different from those printed on passbooks at present to distinguish between those of postal life insurance policies and life insurance policies of Japan Post Insurance.

Payment of insurance premium

Receiving pension

We offer the same services as at present.



Will the maximum insurance coverage change?

The maximum insurance coverage remains the same.



The maximum insurance coverage of life insurance policies of Japan Post Insurance will be **10 million yen in principle per insured person on the basis of combined total of postal life insurance policies and life insurance policies of Japan Post Insurance.**

In the event where customers reinstate lapsed postal life insurance policies after privatization, the maximum insurance coverage will also be 10 million yen in principle per insured person on the basis of combined total of postal life insurance policies and life insurance policies of Japan Post Insurance.

Will Japan Post Insurance offer the same type of insurance products?

Japan Post Insurance will offer similar types of insurance products with Postal Life Insurance. However, we will not offer some of the insurance products currently available such as Defined-contribution whole life annuity after privatization. For further information of products offered by Japan Post Insurance, please make inquiries with post offices or sales persons (life insurance agents) of Japan Post Insurance.

What are the main differences between postal life insurance policies purchased before privatization and those of Japan Post Insurance?

Main differences between them are as follows:

Items	Postal Life Insurance Policies	Life Insurance Policies of Japan Post Insurance
Start of insurance coverage	Insurance policies shall be effective retroactive to the date of application (effective date) in the event where JAPAN POST should accept applications for them.	Either of the later in the timing between receipt of the first insurance premium or notification (start of responsibility)
Insurance premium	Scheduled insurance premium (only one type of insurance premium will be available) *The amount after deducting certain discount from scheduled insurance premium depending on the method of payment and handling of payment will be applied.	Insurance premium (four types of insurance premium will be available) will be calculated by applying insurance rate that differs depending on the payment method which will be one of the followings: 1)automatic withdrawal from account; 2)payment at service windows; 3)payment through insurance premium collectors; and 4)payment through groups.
Pension payment method	Pension will be paid either every two months (six times annually) or every three months (four times annually) on an installment basis.	Pension will be paid every two months (six times annually) on an installment basis.
Change of insurance policyholder	Excluding insurance products such as educational endowment insurance, agreements of insurance providers will not be required to change insurance policyholders (arbitrary inheritance of the position of insurance policyholders).	Agreements of insurance providers to requests from insurance policyholders are required
Stamp tax	Non-taxable	Stamp tax will be imposed depending on the case. For instance, "request for loan/certificate of receipt" may require revenue stamps.
Registration of insurance coverage with the Life Insurance Association of Japan	None	Insurance coverage of insurance policies that are applicable to certain conditions will be registered with the Life Insurance Association of Japan with the approval of the relevant insurance policyholders and insured persons.

How will the personal information you obtained with regard to postal life insurance policies be handled?

Personal information on insurance policyholders and insured persons (hereinafter, “customers”) with regard to postal life insurance policies, which JAPAN POST keeps at the time of privatization, will be inherited to the Management Organization for Postal Savings and Postal Life Insurance and Japan Post Insurance within the range necessary for operations and functions to be handed over to them from JAPAN POST based on the “Implementation Plan Concerning the Business Succession of Japan Post”, which will be subject to the approval of the government on the basis of the Postal Service Privatization Law.

Personal information (including information concerning healthcare such as history of hospitalization; hereinafter, referred to as “inherited personal information”) that will be obtained by Japan Post Insurance through the inheritance of operations and functions will be used within the range necessary for achieving the following purposes to ensure appropriate management of life insurance operations as we have been doing.

* Information concerning healthcare will be used for the limited purposes such as underwriting of insurance, management of continuation and maintenance of insurance policies, payment of insurance and benefit, as well as medical research and statistics.

Purposes of usage of personal information to be handed over to Japan Post Insurance from Japan Post are as follows:

- (1) For underwriting, management of continuation and maintenance, payment of insurance and benefit, etc. of various insurance policies
(e.g. Research for underwriting, maintenance management and payment of insurance, etc. of various insurance policies)
- (2) For marketing and providing various products and services from Japan Post Insurance including related and affiliated companies
(e.g. Door-to-door marketing and sending of direct mails for products and services.)
- (3) For providing information and management of operation concerning operations of Japan Post Insurance and enhancement of products and services
(e.g. Sending of disclosure brochures and development of products and services, etc.)
- (4) For facilitating appropriate and smooth execution of transactions with customers
(e.g. Responding to inquiries and consultations concerning transactions)

In the meantime, details of handling of inherited personal information and confirmation of intention of customer, etc. are published in the booklet “How will postal services change after privatization? (for insurance policyholders)”, which we have started to send from July to policyholders of postal life insurance policies. If you have not received this booklet yet, please ask and receive it at a post office nearby.

Information on related facilities

About MIELPARQUES

Following the abolition of the Postal Savings Law due to privatization, JAPAN POST HOLDINGS Co., Ltd. will inherit the operation of MIELPARQUES as general hotels. We will accept reservations from anyone via telephone and the Internet, etc. after privatization as we have been doing. In the meantime, we plan to maintain the current room rate levels. For making reservation, please make inquiries to the facilities you want to use because reservation period will be different depending on facilities.

In the meantime, we will continue to offer MIELPARQUE POINT service, and points you obtained depending on the service you use will be added to your accumulated MIELPARQUE points.

For further information, please make inquiries to each facility or CS Promotion Office. Telephone number: **0120-336037**
(Toll-free)

Hours: 9:00 – 18:00 (excluding Saturdays, Sundays and Holidays, as well as the year-end and New Year holidays)

About Kampo-no-yado (Kampo's Inn)

Following the abolition of the Postal Life Insurance Law due to privatization, JAPAN POST HOLDINGS Co, Ltd. will inherit the operation of Kampo-no-yado (Kampo's Inns) as general Japanese-style inns and hotels. After privatization, customers who do not have postal life insurance policies will not be charged additional rates and we do not require customers to present documents for conforming enrollment in postal life insurance. We plan to maintain the current room rate levels. In addition, we will accept reservation from any customers directly to the facilities desired to stay through telephone. We will start taking reservation from the first day of the month six month prior to the planned date of stay.

In the meantime, customers who have Kampo-no-yado Members' Card will continue to be able to use the privilege such as accumulation of points by staying at Kampo's Inn.

For further information, please make inquiries to each facility or CS Promotion Office. Telephone number: **0120-715294**
(Toll-free)

Hours: 9:30 – 18:15 (excluding Saturdays, Sundays and Holidays, as well as the year-end and New Year holidays)