



Annual Report

Postal Services in Japan 2007

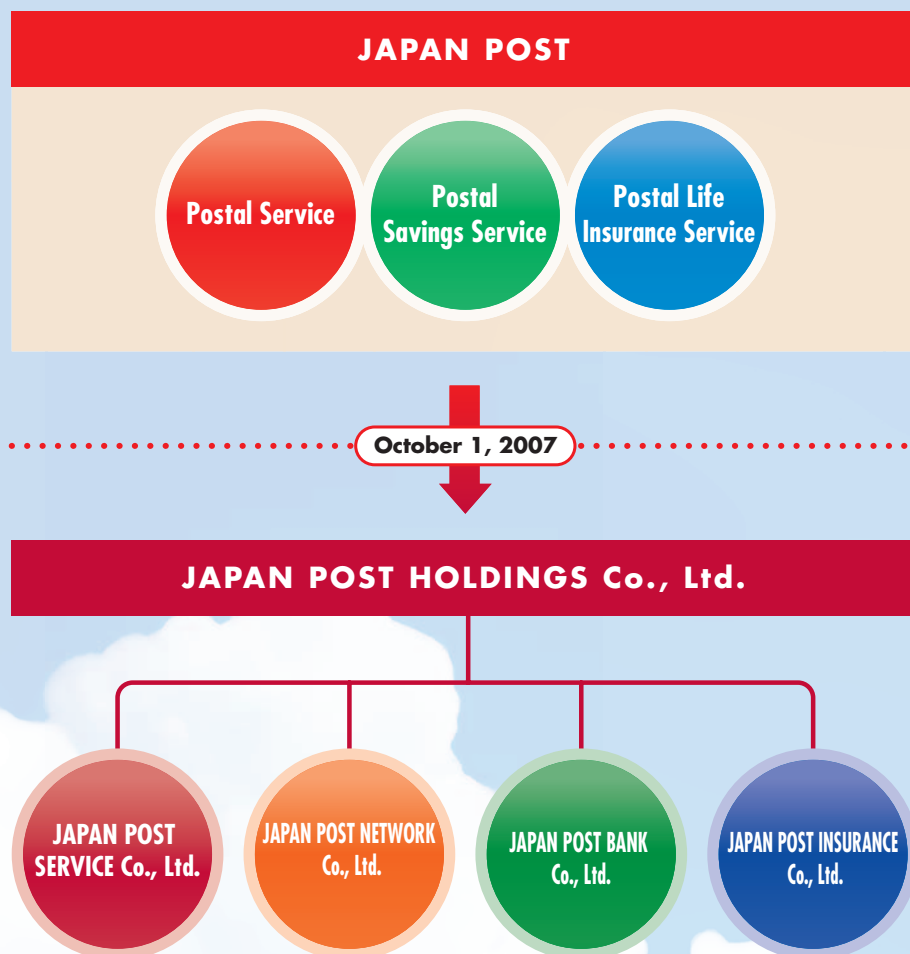


We Will Take A New Step
On October 1, 2007.

Striving to Create New Value

Japan Post is engaged in the Postal, Postal Savings and Postal Life Insurance Business, and has been offering services indispensable to everyday life, through post offices established nationwide.

Now, we are making every effort to tackle various issues, such as improvement of our services and enhancement of our management base, prior to Japan Post's privatization in October 2007. Japan Post will strive to create new value in order to meet the expectations of our customers, increase their satisfaction and grow together with them.



Postal Services in Japan 2007

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Message from the President

The entity in charge of Japan's postal business, which started in 1871, has changed from the Ministry of Communications to the Ministry of Posts and Telecommunications to the Postal Services Agency to Japan Post. On October 1, 2007, Japan Post is scheduled to be privatized, and begin to take a new step as the JAPAN POST GROUP. All officers and employees will make a unified effort toward this privatization, which you could call the second foundation of postal business, so that all users will "be truly pleased with the privatization" of Japan Post.

We would like to take this opportunity to express our sincere gratitude for your warm support you have extended. We hope that you will extend the same support to the JAPAN POST GROUP.

Japan Post's efforts over the past four years

FY 2006 EARNINGS RESULTS

In the 2006 fiscal year, Japan Post's three businesses secured profits for the fourth consecutive year, despite the continued severe business environment. Japan Post overall had a net income of 942.5 billion yen (1,933.1 billion yen for FY 2005).

In the Postal Business, handling of letter post decreased due to the spread of information technology (IT) including e-mail, while handling of the growing sector of parcel post increased. Against the backdrop, we reformed our earnings structure, aiming to raise sales in the growing sector. As a result, ordinary income rose 3.3 billion yen from the previous fiscal year, the first year-on-year growth since the foundation of Japan Post. Ordinary expenses dropped 10.3 billion yen from the previous fiscal year, due mainly to a decrease in personnel expenses caused by the increased number of retirees and a reduction in outsourcing costs for collection, delivery and transport. For FY 2006, we had initially expected to post losses, given a rise in preparatory expenses for the above-mentioned privatization, but because of these efforts and contributing factors, we posted a net income of 1.8 billion yen, down from 2.6 billion yen in FY 2005.

As for the Postal Savings Business, Japan Post booked a net income of 940.6 billion yen, down from 1,930.4 billion yen in FY 2005. This year-on-year decline amounting to 989.7 billion yen is attributable chiefly to an annual fall of money trust management income totaling about 1 trillion yen deriving from the lack of substantial change in stock prices. Cash flows, which account for most of the income, remained almost unchanged from a year earlier, despite a decrease of about 13 trillion yen in the balance of postal savings.

The Postal Life Insurance Business remained harsh due primarily to a continuing fall in the number of new policies. However, we increased our internal reserves

by 1,025.0 billion yen (931.8 billion yen for FY 2005), due to an increase in interest income amid rising long-term interest rates and capital gains on consigned management of funds. We raised dividends paid to our policyholders for the second consecutive year. Three sources of profits (mortality profits/losses, interest profits/losses and loading profits/losses) totaled 117.6 billion yen, compared with losses up through the previous year, owing mainly to decreased interest losses.

Preparation for privatization and the JAPAN POST GROUP after privatization

PREPARATION FOR PRIVATIZATION

Since the passage of the Japan Post privatization bills in October two years ago, we have made preparations for the privatization of Japan Post under a comprehensive structure, with such preparation as the top-priority management issue. Among the major issues we have implemented the consolidation and reorganization of collection operations, and the like, aiming at establishing an efficient network. Furthermore, for post offices to which more than one company will be attached, we have had those offices constructed with partitions. Some Japanese financial institutions had system trouble when they merged. Taking this as a lesson, we are conducting a rehearsal of computer systems operations and simulations of employees' operations, in order to ensure that customers will not be inconvenienced at the time of privatization.

With regard to changes in products and services provided after the privatization, we have continuously notified the public by posting on our website, distributing leaflets at post offices, and publishing in newspapers, as well as by distributing booklets to every household.

As described above, we have implemented various measures to prepare for the privatization and will continue to do so, with a sense of tension, in order to achieve a smooth privatization.

Yoshifumi Nishikawa
President & CEO
Japan Post
President & Representative Director
JAPAN POST HOLDINGS Co., Ltd.

西川 善文



JAPAN POST GROUP AFTER PRIVATIZATION

After October 2007, Japan Post will be transformed into the JAPAN POST GROUP consisting of JAPAN POST SERVICE Co., Ltd., JAPAN POST NETWORK Co., Ltd., JAPAN POST BANK Co., Ltd., and JAPAN POST INSURANCE Co., Ltd. under the holding company of JAPAN POST HOLDINGS Co., Ltd. and will provide services. At post office counters, we will provide postal, savings and insurance services as we have done before, which are outsourced by the three operating companies. Besides, each company to be established after the privatization will strive to provide new services that meet the varied needs of our customers in addition to providing conventional services.

Taking this opportunity, we have created a new slogan for the Group: “Atarashii-futsu-wo-tsukuru.”^(Note 1) Up until now, Japan Post has fostered among people a sense of security and confidence in it, taking advantage of being a public organization. After being privatized though, we will have to gain customers’ confidence through the comprehensive implementation of compliance and by great efforts on our own part.

“Futsu”^(Note 2) 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.

“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 slogan shows that the JAPAN POST GROUP is a corporate group which will continue to be close to customers by promoting reforms and growing together with customers.

JAPAN POST GROUP will give the highest priority to the customers’ viewpoint by providing in an integrated manner products and services that score highly with customers. By doing this, we expect that every customer will be truly pleased with the privatization. We will also aim to be a corporation that further enhances convenience for regional residents and contributes to their lives.

We would like to ask for your continued support and good faith.

August 2007

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

The figures and the percentages in the tables of this report are shown by rounding up and down the fractional figures to the nearest unit. Meanwhile, with regard to the numerical data in the financial statements, etc., the fractional figures below the unit are shown by rounding down. Because of this, there may be discrepancies between the totals of the figures or percentages shown and actual accumulation of the figures or the percentages in this report.

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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.

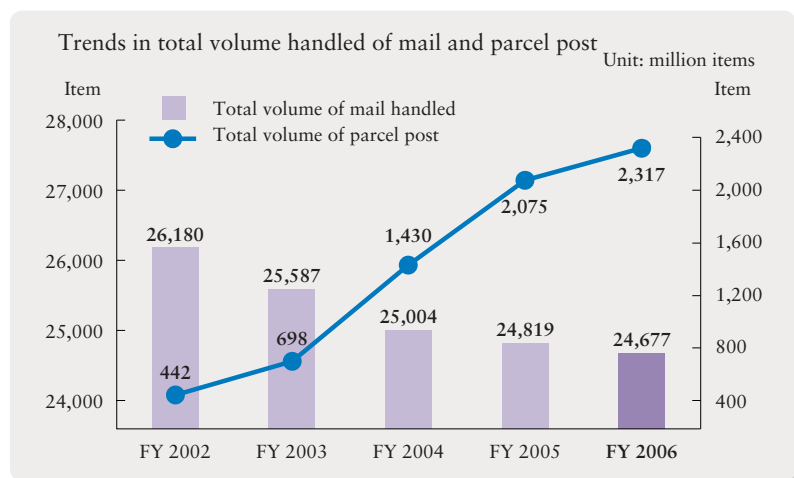
Outbound parcels handled amounted to 1.48 million items, (up 0.8% from the previous year).

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.

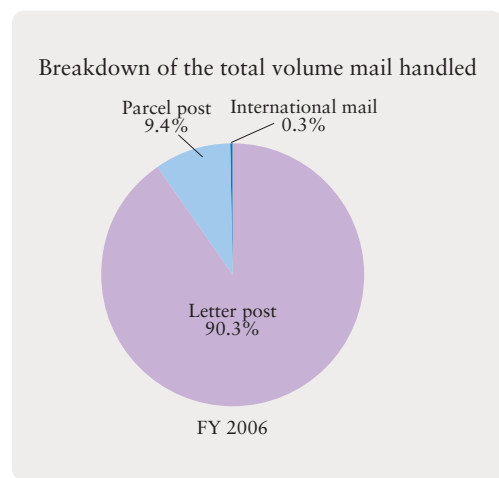
ii. Inbound mail

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.

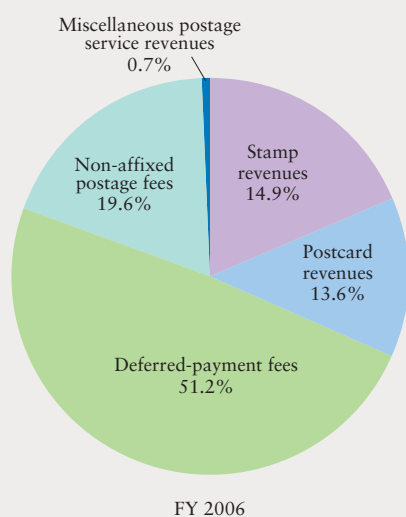
NON-AFFIXED POSTAGE FEES

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

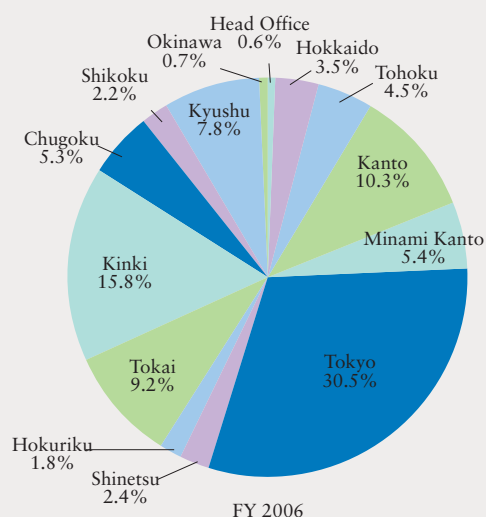
Miscellaneous postal service revenues (revenues from postal business arising from postal operations other than those above, such as charges for goods sold) were 12.8 billion yen, (down 13.7%).

Breakdown of operating revenues



Note: Figures are rounded off to one decimal place.

Breakdown of operating revenues by branch



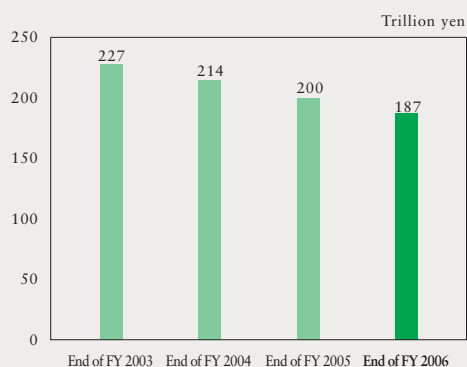
Note: Figures are rounded off to one decimal place.

2. Overview of Postal Savings Service

(1) BALANCE OF POSTAL SAVINGS

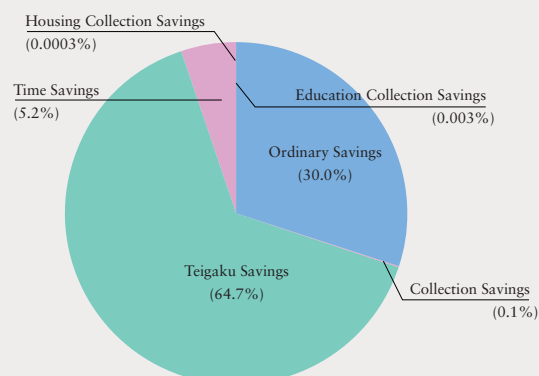
The balance of postal savings has continued to decrease since peaking at the end of fiscal 1999 due to the large volume of Teigaku Savings reaching maturity in fiscal 2000-2001. The balance at the end of fiscal 2006 was 187 trillion yen, down 6.5% or 13 trillion yen from a year earlier.

Trends in the balance of postal savings



Balance of postal savings by type

FY 2006



Unit: billion yen				
Classification	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

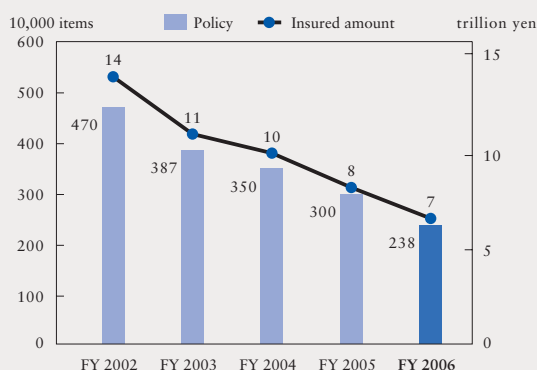
New or in-force policies for fiscal 2006 are described below.

(1) New Policies for Fiscal 2006

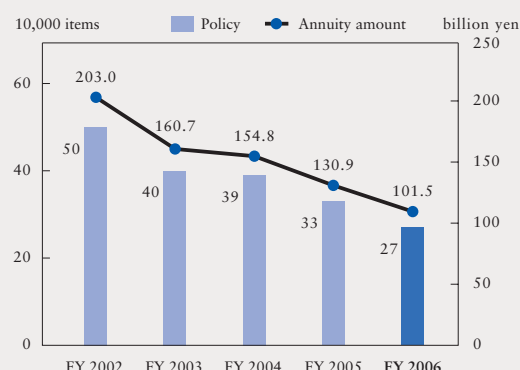
The number of new insurance policies fell 20.6% or 616,000 year-on-year to 2.381 million, and the insured amount dropped 18.5% or 1.5656 trillion yen to 6.9041 trillion yen.

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.

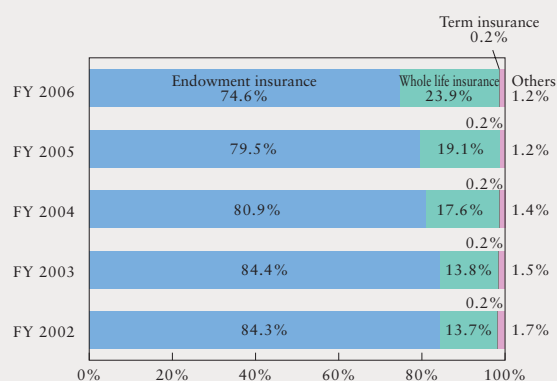
■ Trends in new policies of life insurance



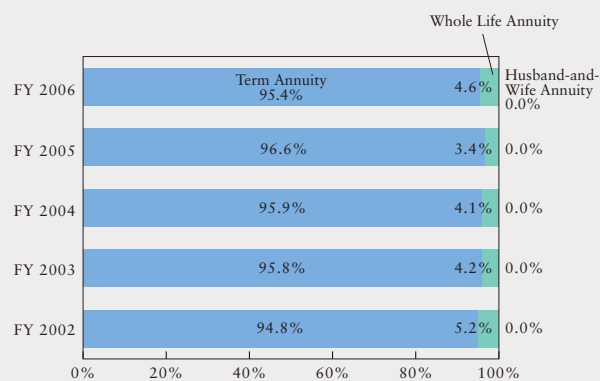
■ Trends in new policies of annuity insurance



■ New insurance policies by type



■ New annuity policies by type

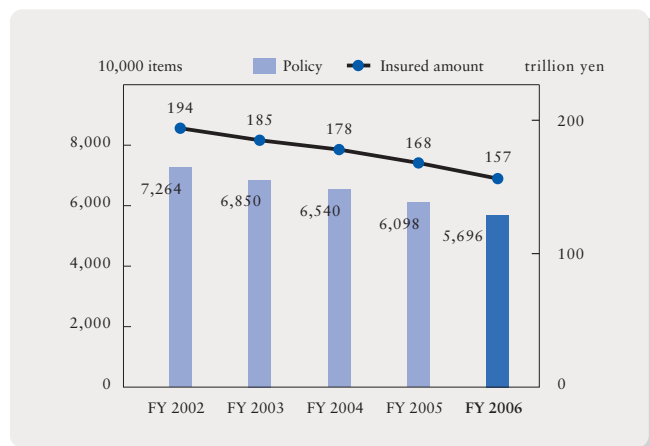


(2) Policies in Force at the End of Fiscal 2006

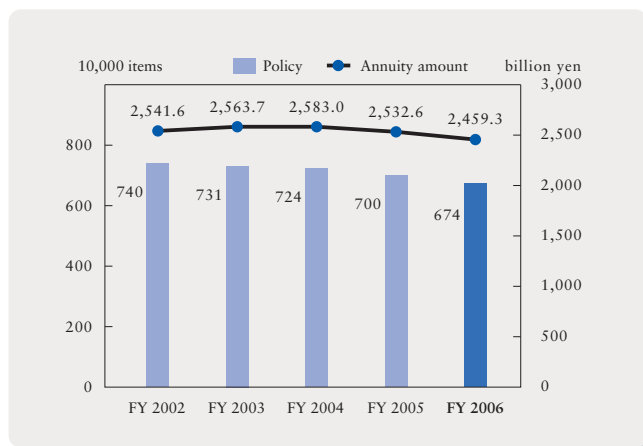
There were 56.96 million insurance policies in force at the end of fiscal 2006, down 6.6% or 4.02 million from a year earlier, and the insured amount totaled 157.1150 trillion yen, down 6.4% or 10.6965 trillion yen.

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.

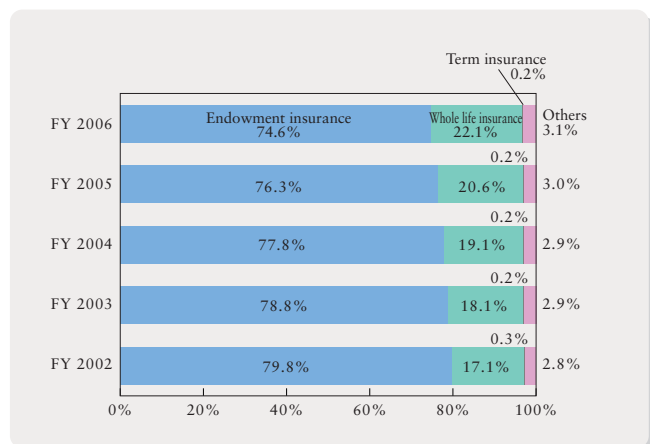
■ Trends in policies in force



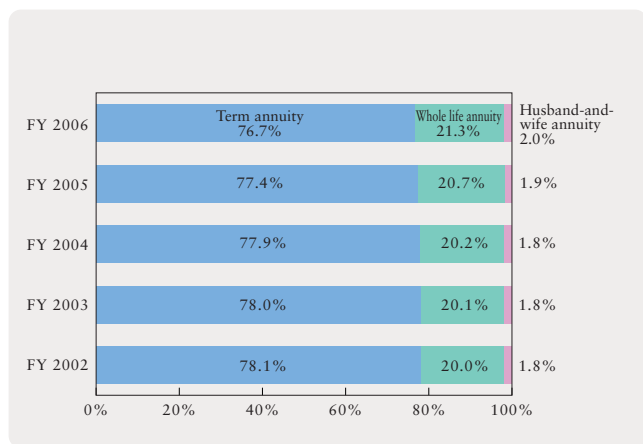
■ Trends in annuity policies in force



■ Insurance policies in force by type



■ Annuity policies in force by type



(2) POLICYHOLDERS' DIVIDENDS

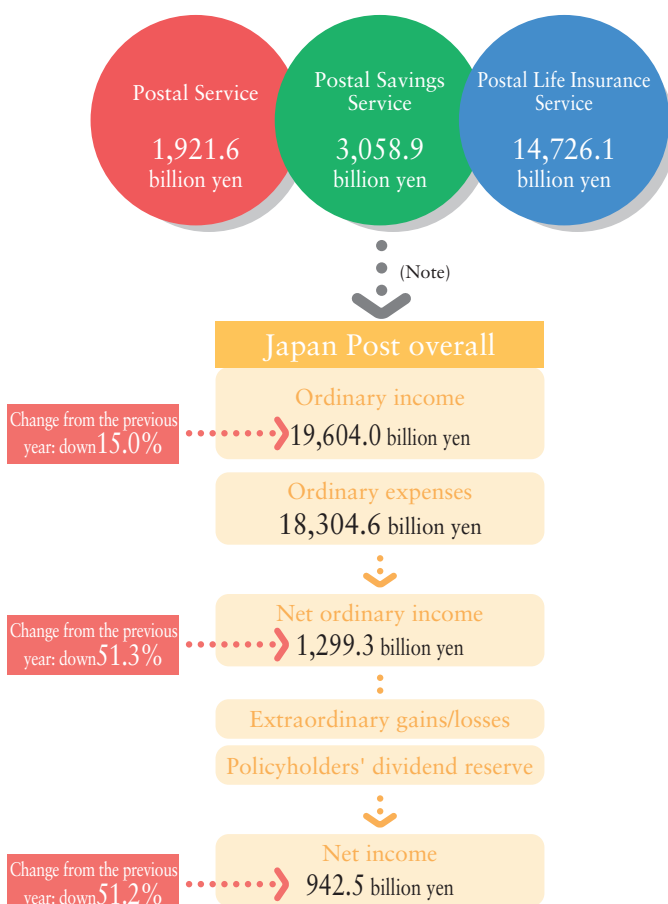
As for dividends for the policyholders in fiscal 2007, we have decided to pay dividends totaling 177.4 billion yen as the provision for policyholders' dividend reserve to the policyholders starting from April 1, 2007, by adding 44.7 billion yen to 132.6 billion yen which is the provision of the dividend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

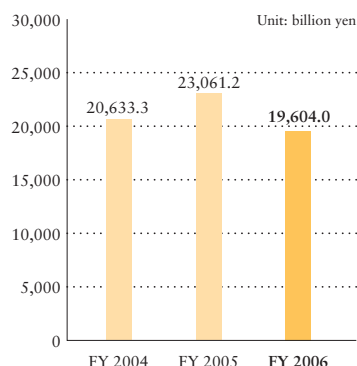
In fiscal 2006, Japan Post booked extraordinary gains of 27.4 billion yen derived mainly from sales of movable properties. Meanwhile, extraordinary losses were 206.8 billion yen. The losses are attributable to 77.5 billion yen in impairment losses on Teishin (communication) hospitals, facilities for 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

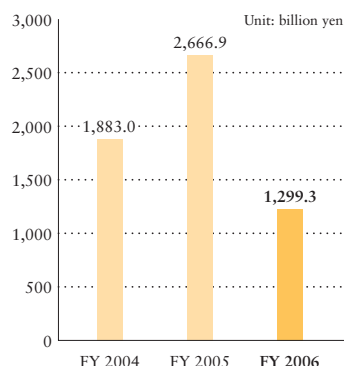
Overall, Japan Post recorded a net income of 942.5 billion yen, down 990.5 billion yen from the previous year's 1,933.1 billion yen, as a result of incorporating extraordinary gains and losses into net ordinary income, and transferring an additional 177.4 billion yen to the policyholders' dividend reserve 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.

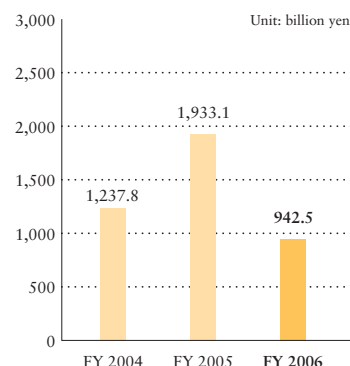
■ Trends in ordinary income



■ Trends in net ordinary income

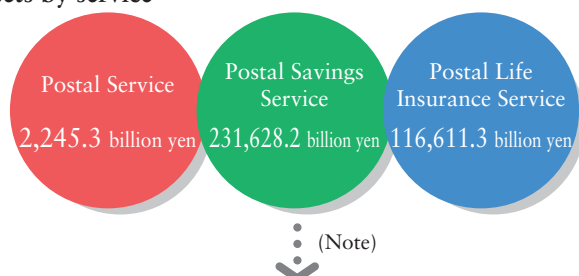


■ Trends in net income



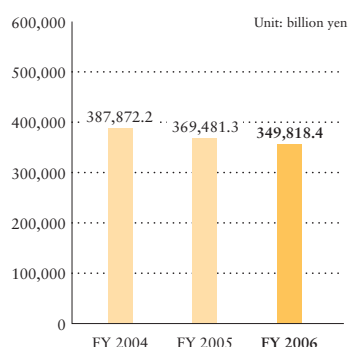
ASSETS AND LIABILITIES

Total assets by service

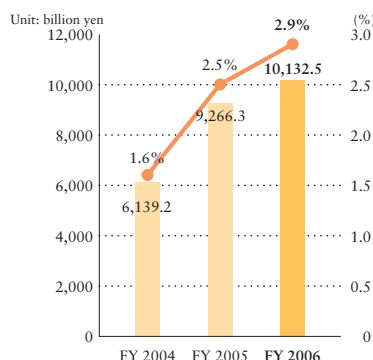


Note: Discrepancies between the total of figures for each service and the figures for Japan Post overall are due to the offsetting and elimination of transactions between the Postal, Postal Savings, and Postal Life Insurance Services as internal transactions within the corporation.

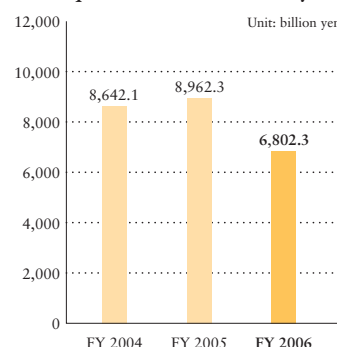
Trends in total assets



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

	FY 2005	FY 2006	Change
Unit: billion yen			
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)

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

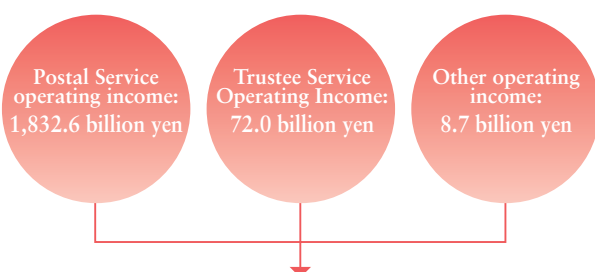
2. Postal Service

(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%)

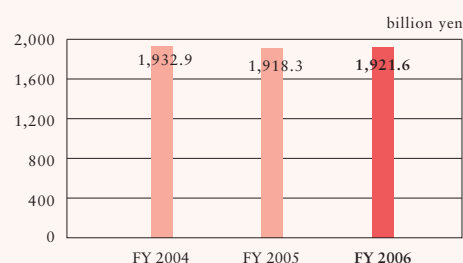
Extraordinary gains 6.0 billion yen

Extraordinary losses 33.0 billion yen

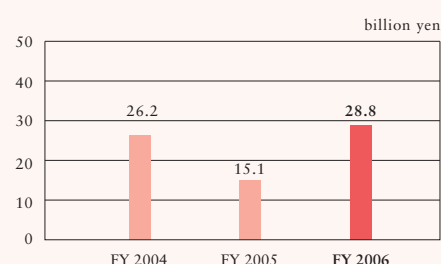
Net income 1.8 billion yen (down 30.1%)

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

FY 2004	FY 2005	FY 2006
98.4%	99.2%	98.5%

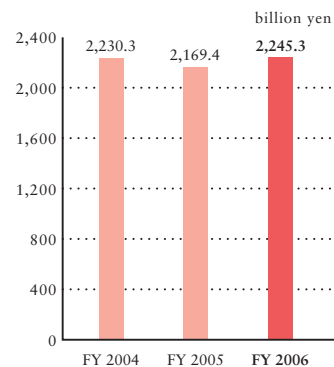
Operating expense ratio = ((Operating costs + Selling, general and administrative expenses) / Operating income) × 100

(2) ASSETS AND LIABILITIES

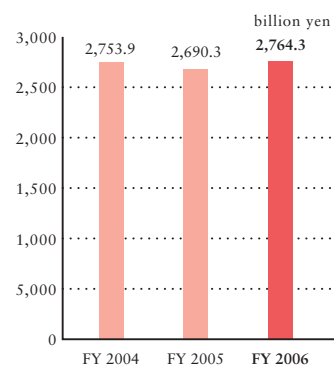
Total assets for the Postal Service were 2,245.3 billion yen at the end of fiscal 2006, an increase of 75.8 billion yen from the previous year, due to an increase in current assets (mainly in cash and deposits). Total capital stood at minus 519.0 billion yen, up 1.8 billion yen.

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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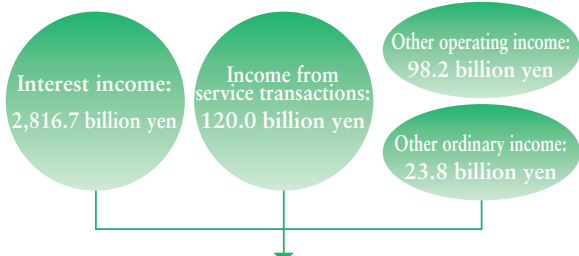
3. Postal Savings Service

(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%)

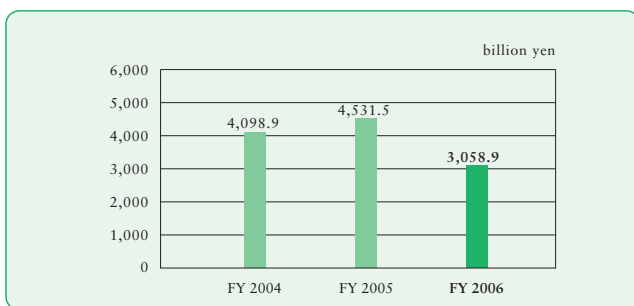
Extraordinary gains	12.8 billion yen
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Extraordinary losses	49.4 billion yen
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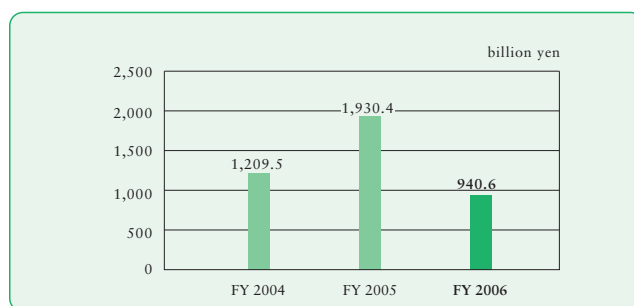
Net income 940.6 billion yen (down 51.3%)

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

■ Trends in ordinary income



■ Trends in net income



■ Trends in expense ratios

FY 2004	FY 2005	FY 2006
0.45%	0.47%	0.51%

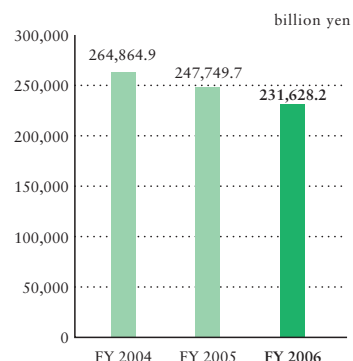
Expense ratio = (General and administrative expenses/Balance of postal savings (average end-of-month balance)) × 100

(2) ASSETS AND LIABILITIES

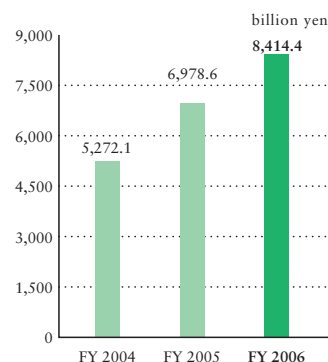
At the end of fiscal 2006, total assets for the Postal Savings Service amounted to 231,628.2 billion yen, a decrease of 16,121.5 billion yen from the previous year. Capital increased 1,435.8 billion from a year earlier to 8,414.4 billion yen.

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	
		Retained earnings	
		Net unrealized losses on securities	

■ 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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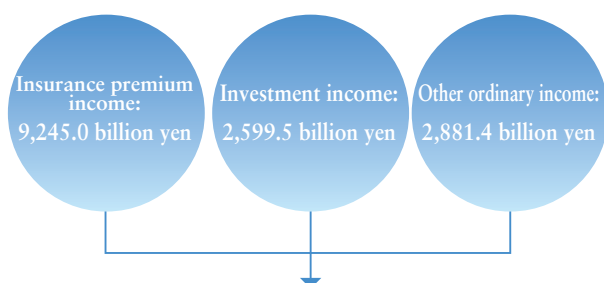
4. Postal Life Insurance Service

(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%)

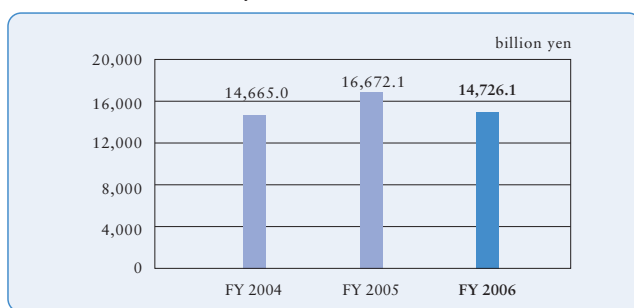
Extraordinary gains 10.9 billion yen

Extraordinary losses 127.6 billion yen

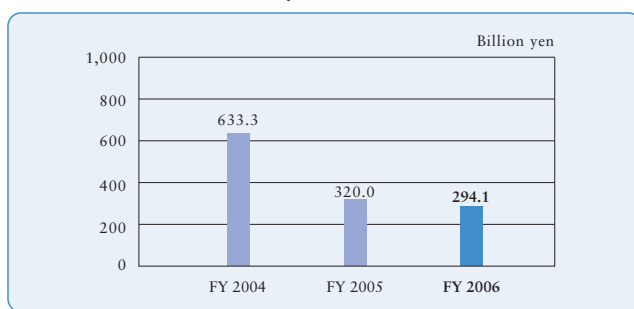
Provision for policyholders' dividend reserve
177.4 billion yen (up 18.1%)

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

FY 2004	FY 2005	FY 2006
4.80%	4.86%	6.10%

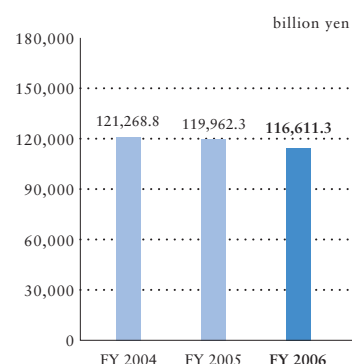
Operating expense ratio = (Operating expenses/Insurance premium income) × 100

(2) ASSETS AND LIABILITIES

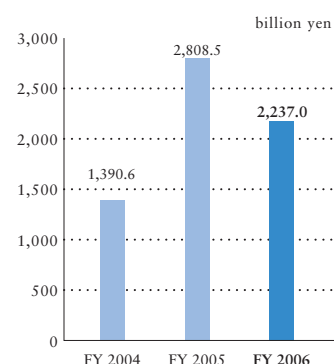
At the end of fiscal 2006, total assets were 116,611.3 billion yen, a decrease of 3,351.0 billion yen from the previous year. Capital decreased 571.5 billion yen to 2,237.0 billion yen.

Assets		Liabilities	
Total assets		Total liabilities	
116,611.3 billion yen		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

	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)

Unit: billion yen

3. Funds Management

1. Postal Savings Service

■ Investment of Postal Savings Funds

As of March 31, 2007

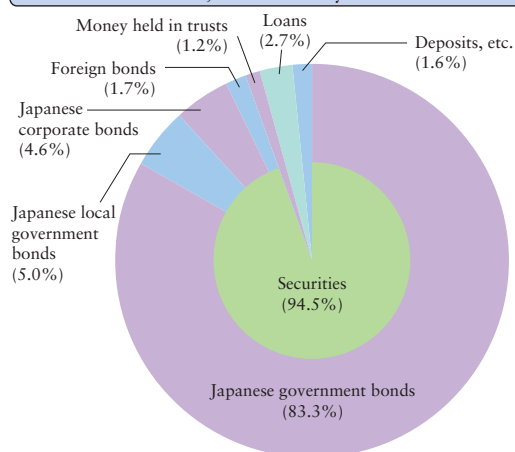
Classification	Balance of assets (billion yen)	Percentage (%)
Securities	154,347.7	94.5
Japanese government bonds	136,052.3	83.3
Japanese local government bonds	8,130.6	5.0
Japanese corporate bonds	7,431.8	4.6
Public corporation bonds, etc.	4,811.9	2.9
Foreign bonds	2,732.8	1.7
Money held in trusts	1,927.2	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.

Investment of Postal Savings Funds, March 31, 2007
163,297.5 billion yen



2. Postal Life Insurance Service

Investment of Kampo Funds

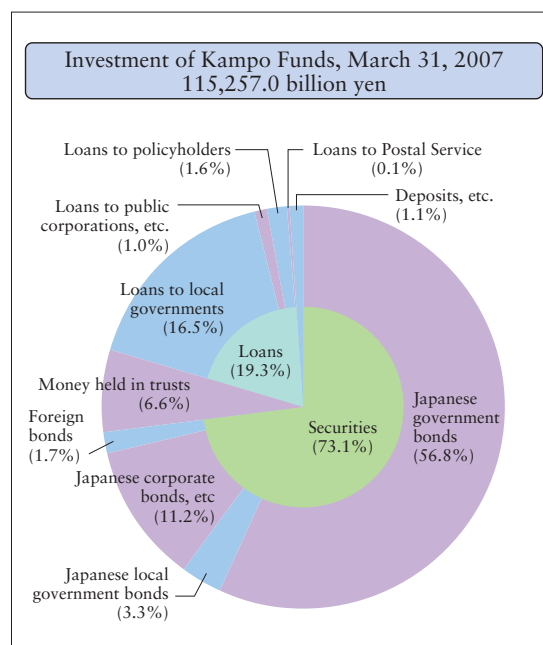
As of March 31, 2007

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)

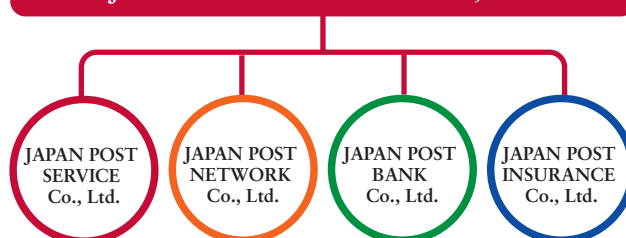
587.0 billion yen (FY2011)

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.

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."

1 Highlights

2 Topics

3 Management Efforts

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5 Data

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 ㊦ 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 ㊦ 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

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.



Redelivery



Receipt at Yu-Yu Service Windows/Post Offices

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.

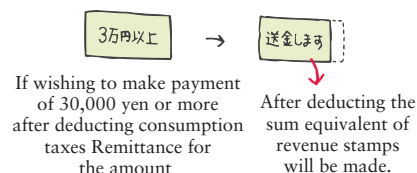
Yu-Mails (booklet parcel), EXPACKs (standard-size parcel) and POSPACKETs (simple small parcel) will be newly covered by compensation for damage or loss (by means of return of freight charge).

* 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.

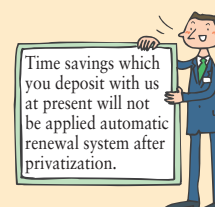
In the meantime, the period of cancellation of rights will be three years (one year in the case of Postal orders certificates) after the validity period of six months after the date of issue as at present.

* 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.



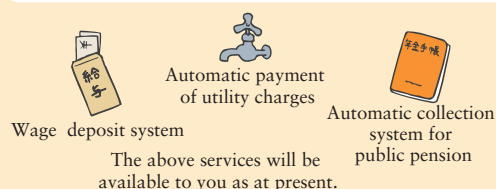
Will users of Yu-Yu Loan be necessary to take any procedures?

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:

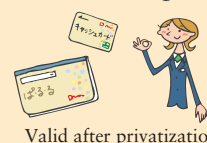
Both Postal savings integrated passbooks and new ordinary savings passbooks can be used as passbooks of JAPAN POST BANK after privatization. When your passbooks are left with no blank space, we will replace them with new passbooks.

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.



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.

Japan Post
Postal Life Insurance Policies

Handed over to

The Independent Administrative Agency
Management Organization for Postal
Savings and Postal Life Insurance
Postal Life Insurance Policies

Consignment of operations to

Japan Post Insurance Co., Ltd.
Handling of Postal life insurance
policies (consignment of life
insurance operations to post offices)

Consignment of operations to

JAPAN POST NETWORK Co., Ltd.
Handling of postal
life insurance policies
at post offices

1 Highlights

2 Topics

3 Management Efforts

4 About Japan Post

5 Data

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.

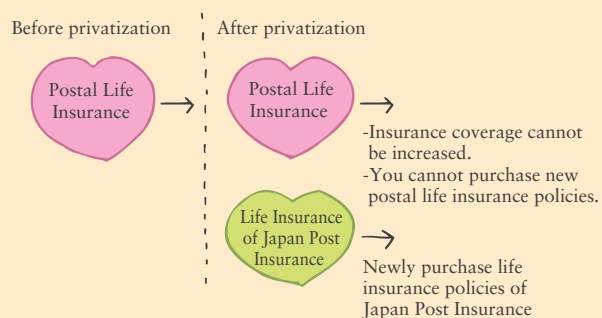
Postal life insurance policies purchased before privatization will be handed over to The Independent Administrative Agency Management Organization for Postal Savings and Postal Life Insurance which manages insurance policies and kept under its management until the expiration of such insurance policies.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

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)

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Reorganization of Collection-and-Delivery Hubs

In order to respond to a major change in the organizational framework due to the privatization and spin-off scheduled in October 2007, as well as for the purpose of developing an efficient and highly competitive network, we successively reorganized collection-and-delivery hubs, etc. from September 2006 and completed a new network in March 2007 (with parts of the network completed in May and July).

■ Overview of measures

We grouped about 4,700 collection-and-delivery post offices and divided them into “Control Centers,” which consist of about 1,100 post offices that focus on sorting of mail items, and “Delivery Centers,” which are comprised of about 2,600 post offices that take charge of delivery of mail items sorted at Control Centers. In addition, about 1,000 post offices were transformed into non-collection-and-delivery post offices that only have service window functions by consolidating sorting and delivery operations to neighboring post offices.

■ Service levels

The organization measures were developed with a thorough respect for the Postal Services Privatization Related Law, responses to questions in the Diet and additional resolutions, and we are committed not to degrade service levels through the following measures:

1. Post office service windows will remain unchanged and the post office network will be maintained.
2. Employees will continue to visit customers door-to-door to provide services of Postal Service, Postal Savings, and Postal Life Insurance as at present.
3. Social contribution activities such as Himawari Services will continue to be offered.
4. We will ensure the guaranteed delivery speed.
5. ATM's operating hours will be maintained.

■ Responding to changes in services

Although Delivery Centers and consolidated post offices do not have Yu-Yu Service Windows for times outside of business hours, mail items such as registered mails that were not delivered due to absence of recipients will be redelivered daily, including Saturdays and Sundays, as in the case with private home-delivery services. In addition, service personnel from Delivery Centers nearby visit customers door-to-door to collect parcels. We thus are striving to maintain existing services by implementing alternative measures.

Launching “Frame Stamp” Service

In response to customers' request for a service in which you can purchase original stamps featuring one's favorite photos, we started the new service called the “Frame Stamp” that allows our customers to create their original stamps using their own photos and illustrations from September 1, 2006.

■ What are Frame Stamps?

In the Frame Stamps service, we issue a sheet of postage stamps using a photo or picture selected by customers, and place such photos or pictures into a perforated blank tab space inside the framed stamps, making them look as if the photograph became a postage stamp.



Postal Savings Campaigns

A Postal Savings promotion campaign was held at post offices nationwide with gift coupons given out to postal savings customers as an expression of gratitude for their patronage.

We plan to hold a variety of such campaigns in the future to promote postal savings among customers.

Double-Start Campaign; Save and Invest

From March 5 to April 27, 2007, we held the “Double-Start Campaign; save and invest”. During this time we gave away one thousand yen gift coupons to customers for every 300,000 yen deposited in time savings (time savings which can be deposited using ordinary savings passbooks) and investment trusts (with the percentage of time savings and investment trusts being 50% each) at post offices handling investment trusts. The object of the campaign was to encourage balanced use of postal savings and investment trusts to help customers accumulate assets efficiently.

Postal Savings Happy Pension Campaign

From May 28 to July 31, 2007, we gave away one thousand yen gift coupons to customers for every 300,000 yen deposited in Teigaku and Time savings (Teigaku and Time savings which can be deposited using ordinary savings passbooks) with these accounts designated as pension payment accounts (including those who plan to designate their accounts for pension payment) at post offices nationwide. The idea was to promote the community network of post offices as the most convenient and handy financial institution for retirees. In addition, we began the “Postal Savings Happy Pension Campaign,” in which 5,000 customers selected by lottery received accommodation coupons for traditional Japanese inns at hot spring resorts.

“Dr. Money” Was Introduced to Help Customers Meet Their Asset Management Goals Nationwide

Since June 2007, we have been providing information on the necessity of making sound investments, helped customers gain a basic grasp of investments and educated them in investment methods and strategies.

Using a character called “Dr. Money” to raise awareness of investment opportunities, we prepared leaflets on such topics as “How much money you will need throughout your life” and “How much money you will need during your retirement. We also invited customers to investment seminars and in response to customer requests held asset management consultation services.

Please feel free to consult with us.



“Dr. Money”

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Outline of Investment Trust Sales at Post Offices

Post Offices Handling Investment Trusts

In October 2005, Japan Post launched a service to sell investment trusts at 575 post offices nationwide. Since then, we have successively increased the number of post offices handling investment trusts to 605 in June 2006 and 1,155 in October 2006 in response to the needs of customers.

In order to farther promote sales of investment trusts at post offices, a fixture in the local community, we plan to increase the number of post offices handling investment trusts to approximately 1,550 nationwide (including post offices that have directly managed branches of JAPAN POST BANK inside the office) at the time of privatization in October 2007.

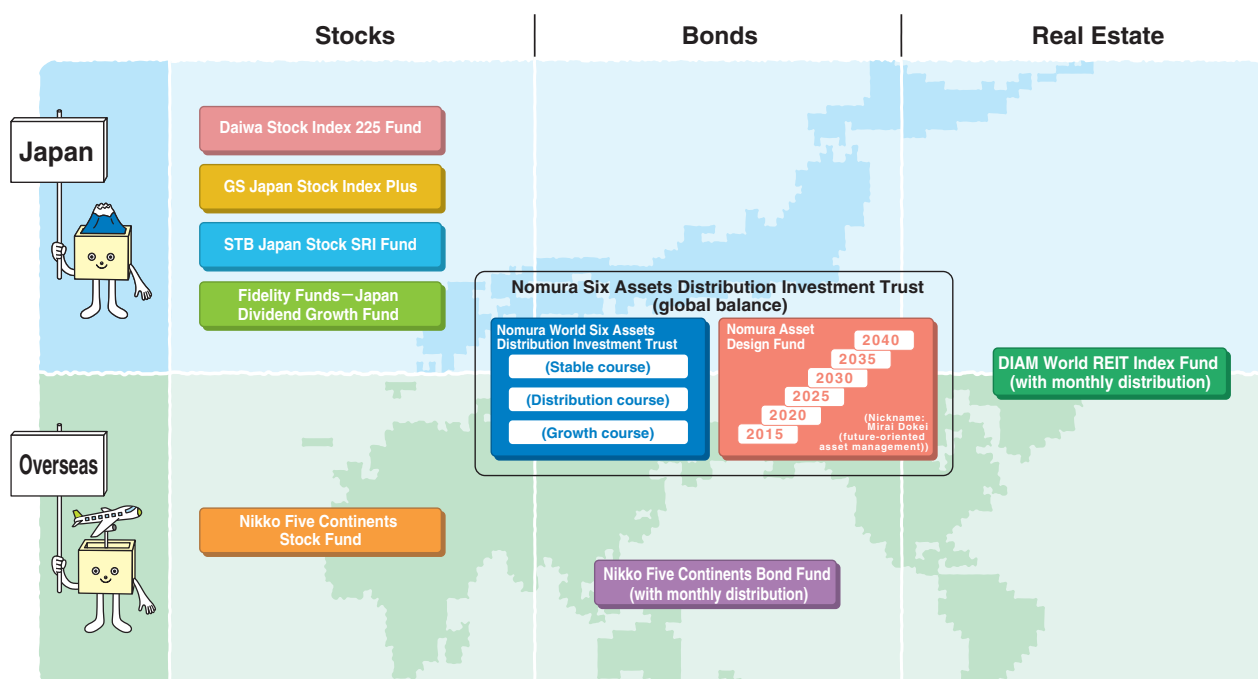
The Line-up of Investment Trust Products Handled at Selected Post Offices

We sold only 3 types (5 products) of investment trusts at the time of introduction of investment trust service. However, after listening to the needs of our customers, we have successively expanded the line-up of investment trust products handled at selected post offices to 7 types (9 products) in June 2006 and 9 types (16 products) in June 2007. As a result, we now provide selected line-up of investment trusts, including a fund that diversifies investment portfolios to different assets such as Japanese and foreign stocks, bonds and REITs (real estate investment trusts) and funds that invests in asset that allow customers to develop appropriate portfolios depending on their investment purposes and risk tolerances.

As our customers come to us with more feedback, we will strive to enhance the line-up of investment trust products further through means such as introduction of products that are appropriate for post offices.

■ Yu-Yu Fund Series (Line-up of investment trust products sold at the selected post offices)

Type	Management Company	Outline
Nomura World Six Assets Distribution Investment Trust (Stable course) (Distribution course) (Growth course)	Nomura Asset Management Co., Ltd.	A balanced investment trust product that invests in index funds of six assets from among Japanese and foreign stocks, bonds and real estate investment trusts (REITs).
Daiwa Stock Index 225 Fund	Daiwa Asset Management Co., Ltd.	An investment trust that seeks investment returns linked to the Nikkei Stock Average (Nikkei 225).
GS Japan Stock Index Plus	Goldman Sachs Asset Management Japan Limited	An investment trust that seeks a narrow range of profit (alpha), taking into account the linkage with TOPIX.
Nikko Five Continents Bond Fund (with monthly distribution)	Nikko Asset Management Co., Ltd.	An investment trust that makes diversified investments in government bonds from developed nations and emerging countries, aiming for returns linked to the overall movement of the global bond market.
Nikko Five Continents Stock Fund	Nikko Asset Management Co., Ltd.	An investment trust that makes diversified investment in stocks from developed nations and emerging countries, aiming for returns linked to the overall movement of the global stock market.
DIAM World REIT Index Fund (with monthly distribution)	DLIBJ Asset Management Co., Ltd.	An investment trust that aims for returns linked to the S&P/Citigroup Global REIT index (denominated in yen; without hedging).
STB Japan Stock SRI Fund	STB Asset Management Co., Ltd.	A balanced investment trust product that invests in Japanese listed stocks through beneficiary certificates of STB SRI Mother Fund, aiming for returns that exceed the benchmark TOPIX in the medium and long terms.
Nomura Asset Design Fund (Nickname: Mirai Dokei)(2015/2020/2025/2030/2035/2040)	Nomura Asset Management Co., Ltd.	A balanced investment trust product that invests in index funds of six assets from among Japanese and foreign stocks, bonds and real estates (REITs), aiming at achieving returns in a target year by periodically adjusting asset allocation ratio.
Fidelity Funds – Japan Dividend Growth Fund	Fidelity Investment Trust Management Co., Ltd.	An investment trust that invests in Japanese listed stocks, aiming to achieve higher dividend income and long-term growth in investment trust assets.



Introduction of the Investment Trust Service through the Investment Trust Call Center and the Internet (Investment Trust Direct)

In order to improve convenience for customers, Japan Post introduced Investment Trust Service that includes purchase, cancellation and acquisition of investment trusts through Investment Trust Call Center on January 22, 2007 and the Internet (Investment Trust Direct) on May 28, 2007.

Details of the service are as follows:

	Investment Trust Call Center	Internet (Investment Trust Direct)
Target customers	Customers who opened investment trust accounts with post offices	Customers who opened investment trust accounts with post offices and signed up for the Postal Savings Internet Home Service
Service menus	(1) Investment trust transactions <ul style="list-style-type: none"> • Application for purchase of investment trust products • Application for cancellation, purchase and switching of investment trust products • Application for automatic collection contracts; application for change of details (collection amount and collection period, etc.) and cancellation (2) Reference service <ul style="list-style-type: none"> • Making a reference about appraisal value of investment trust account, statement of money entrusted and statement of transactions • Making a reference about details of automatic collection contracts 	Same as for Investment Trust Call Center
Operating hours	9:00 a.m. to 6:00 p.m. Monday to Friday (excluding national holidays and the period between December 31 and January 3)	12:05 a.m. to 2:00 a.m. and 6:00 p.m. to 11:40 p.m. (excluding the hours between 8:00 p.m. on Sundays and 6:30 a.m. on the following Mondays; between 11:40 p.m. on December 31 and 6:30 a.m. on January 4; and between 11:40 p.m. on May 3 and 6:30 a.m. on May 5)
Line-up of products	Same as those offered at selected post offices counters	Same as for Investment Trust Call Center

Rolling Out a Campaign Celebrating the 90th Anniversary of Kampo (Postal Life Insurance)

In order to express our gratitude toward customers for their long-term patronages, we rolled out a campaign titled “Kampo’s 90th anniversary campaign” at post offices nationwide for Kampo (Postal Life Insurance) which celebrated its 90th anniversary on October 1, 2006. As part of such efforts, we designed a character for this campaign which symbolizes the 90th anniversary to express a connection with and trust from the society, including people/community, which Kampo has developed over these 90 years. The character, which was nicknamed Cute-kun, was designed with rounded face to express cheerfulness and positive attitude based on the numerical character of “90.” The smiling face of Cute-kun overlaps Kampo’s brand image of senses of security and togetherness, successfully making Kampo known to many customers.



Kampo 90周年

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3 Management Efforts

1. Management Policy

1. Japan Post Management Philosophy

We at Japan Post...

- ... will strive as professionals to provide every customer with exceptional service.
- ... promise to contribute to the enrichment of people's lifestyles, and the community.
- ... create new value and continue to grow, while reinforcing the foundation of trust that supports us.

2. The Japan Post Charter

1. Japan Post places customer trust at the heart of all our business activities. We will rigorously observe all relevant laws and codes of conduct, act in a fair manner at all times, and fulfill the missions and responsibilities of a public corporation, while taking care not to act in any way that might damage trust in Japan Post.
2. In order to offer services that will provide a high level of satisfaction to our customers throughout the nation, and to ensure that we deliver them in a friendly and trustworthy manner, Japan Post will constantly and creatively seek ways to benefit its customers.
3. We will work to maintain close contact with the public and with local communities. By actively disclosing management information in an appropriate way, Japan Post will continue striving to be an open organization on which people can rely.
4. We fully recognize the significance of personal customer details that come into our possession in the course of our work, and Japan Post will continue to rigorously safeguard the privacy of customer information.
5. Japan Post will aim to form partnerships with local communities that contribute to their welfare and provide them with appropriate services.
6. Japan Post will continue to firmly confront unreasonable demand and antisocial forces that threaten the order and safety of civil society.
7. Looking to the future, Japan Post will actively promote environmental conservation, so as to help pass on a more pleasant world to the next generation.
8. Taking a global perspective, Japan Post will extend its activities into the world at large and actively cooperate with the international community.
9. Japan Post will continue to emphasize financial safety and security, using sound and astute fund management methods while taking into consideration both the public interest and the influence we exert on the market.
10. Japan Post aims to be an organization that is a pleasure to work for, in which all employees can take pride and can envisage bright prospects for the future.

3. Japan Post's Declaration on the Environment

PRINCIPLES

Japan Post shall carry out its business activities in an environmentally friendly manner, with a network that provides services throughout the country, so as to conserve the local natural environment and to pass on to future generations the irreplaceable global environment.

POLICIES

1. Japan Post shall comply with all laws, regulations, and ordinances as well as related agreements pertaining to the environment, and shall further carry out activities to reduce environmental destruction and strive to prevent environmental pollution.
2. Japan Post shall set environmental goals and targets and systematically achieve them, and endeavor to improve continuously its environmental management system by building a framework for periodic review of these goals.
3. Japan Post shall endeavor to conserve the global environment in its business activities, by engaging actively in saving resources and energy and by recycling used materials.
4. Japan Post shall take an active approach to create a recycling-oriented society, utilizing environmentally-friendly products and other means.
5. Japan Post shall endeavor to encourage public awareness of environmental issues, by making related information widely available and by promoting educational activities.
6. Japan Post shall support and take an active part in various environmental protection programs in local communities through its post offices that are members of their communities.
7. Japan Post shall enhance its employees' understanding and awareness of these environmental policies and make the policies available widely to the public.

Enacted on April 1, 2003
Amended on April 27, 2005

4. Management Vision

"Macco Service"
Straightforward
Customer Oriented Service

Japan Post will deliver better and more attractive services to all customers nationwide, and will always wholeheartedly strive to serve its customers from their perspective to satisfy them.

Creating a Sound Management
Foundation

Introducing private-sector management tools, Japan Post will make each of its sectors (Postal Services, Postal Savings and Postal Life Insurance) profitable and self-financing, to realize the sound management of the Company as whole.

Providing a Satisfying Working
Environment

Japan Post will establish systems to evaluate staff performance in a fair and transparent manner, and will foster a climate in which each employee is encouraged to contribute opinions actively, regardless of rank or place of work.

2. Mid-term Management Goals and Mid-term Management Plan

1. Mid-term Management Goals and Mid-term Management Plan

Japan Post has set Second Mid-term Management Goals and formulated Mid-term Management Plan as described in 1-4 below on the basis of the Japan Postal Public Corporation Law (2002 Law No. 97) and the regulations for the enforcement of the Japan Postal Public Corporation Law (2003 Ministry of Internal Affairs and Communications Ordinance No. 4). The objectives and the plan have been approved by the Minister for Internal Affairs and Communications.

Since Japan Post will be privatized on October 1, 2007, the Second Mid-term Management Goals and the Mid-term Management Plan cover a period of half year from April 1, 2007 through September 30, 2007.

2. Management Plan for Fiscal 2007

According to stipulations in the Japan Postal Public Corporation Law and in the regulations for the enforcement of the Japan Postal Public Corporation Law, Japan Post established a plan concerning management for fiscal 2007 on the basis of the Second Mid-term Management Plan, and presented the plan to the Minister for Internal Affairs and Communications at the end of March 2007.

The details of the Management Plan for Fiscal 2007 are the same as those of the Second Mid-term Management Plan, since the period of the management plan is the same as that of the Second Mid-term Management Plan—a half year from April 1, 2007 through September 30, 2007.

Note: For detailed information on the Mid-term Management Goals, Mid-term Management Plan and the Management Plan for fiscal 2007, please see Japan Post's website:

(<http://www.japanpost.jp/>)

1. OUTLINE OF THE SECOND MID-TERM MANAGEMENT GOALS

Classification	Japan Post as a Whole	Postal Services	Postal Savings Services	Postal Life Insurance Services
Ensuring management soundness	○Ensuring financial soundness	Accumulated funds of minus ¥105 billion or more	Accumulated funds of ¥290 billion or more	Total added Contingency Reserve and Price Fluctuation Reserve: ¥140 billion or more
	○Enhancement of operational efficiency	Business expense rate: 109.5% or less	Business expense rate: 0.62% or less	Business expense rate: 7.0% or less
Maintenance and enhancement of service level	○Improving customer satisfaction	On-time delivery rate: 97.0% or higher	Improving customer satisfaction	Lapse and Surrender rates: Insurance: 1.80% or less Annuity insurance: 1.15% or less
	○Effective use of the post office network			
Enhancement of internal control structure	○Total commitment to meeting compliance requirements ○Establishment of an accounting system based on corporate accounting principles ○Enhancement of risk management system ○Improving internal audit system			
Smooth shift to new company	○Measures relating to information systems ○Preparation for business transition			

Note 1: Accumulated funds are profit (loss) during the period of the Second Mid-term Management Goals.

Note 2: Financial numerical targets, including accumulated funds and business expense rate, exclude the influence of charge for recognition of obligations under the Public Official Mutual Assistance Association Law (*), which is planned for fiscal 2007, and capital gains (insurance).

* Charge for recognition of obligations under the Public Official Mutual Assistance Association Law is expenses charge for recognition of obligations under the Public Official Mutual Assistance Association Law concerning the pension terms in and before 1959, included in mutual aid welfare pension benefits under the National Public Service Personnel, etc. Mutual Aid Association Law.

Note 3: Postal services suffer red figures in the first half of a business year, since they are greatly affected by revenue from sale of New Year's lottery postcards (November to January).

2. MID-TERM MANAGEMENT PLAN (SECOND TERM)

Classification	Objectives for all business operations
Japan Post as a Whole	<ul style="list-style-type: none"> ○Improvement of customer satisfaction (business improvement based on opinions of customers, raising of the levels of customer service and employee manners, international cooperation and partnership, etc.) ○Effective use of the post office network ("one-stop service," ATM Tie-Up services, etc.) ○Enhancement of internal control (prevention of crimes by insiders, enforcement of compliance training, sophistication of risk management, etc., establishment of structures according to corporate accounting, improvement of internal audit system, etc.) ○Smooth shift to new company (responses to information systems, clerical and infrastructure shift work and implementation of training) ○Enhancement of operational efficiency (reduction of procurement costs, control of facility related expenses, etc.)
Postal Services	<ul style="list-style-type: none"> ○Improvement of customer satisfaction (improvement of operation quality, prevention of incidents of excessive or insufficient cash and entry into international logistics) ○Enhancement of internal control (prevention of crimes by insiders, appropriate management of postal income, total commitment to meeting compliance requirements and upgrading of management) ○Enhancement of operational efficiency (improvement of productivity and review of the content of contracts)
Postal Savings Services	<ul style="list-style-type: none"> ○Improvement of customer satisfaction (improvement of operation quality, prevention of incidents of excessive or insufficient cash and enhancement of complaint response system) ○Enhancement of internal control (prevention of crimes by insiders, resolution of excess of deposit ceiling limit and violation of the limit to the number of passbooks, upgrading of ALM and risk management, etc.) ○Enhancement of operational efficiency (computerization of business processing)
Postal Life Insurance Services	<ul style="list-style-type: none"> ○Improvement of customer satisfaction (establishment of consulting-based sales, establishment of structure to reflect opinions of customers in management, prevention of incidents of excessive or insufficient cash, prevention of accidents in handling business operations, etc.) ○Enhancement of internal control (prevention of crimes by insiders, establishment of insurance solicitation management system, upgrading of ALM and risk management, etc.) ○Enhancement of operational efficiency (improvement of productivity, improvement of efficiency of operation of policyholder welfare facilities, etc.)

3. PROVISIONAL INCOME AND EXPENSE DURING THE SECOND MID-TERM MANAGEMENT PLAN PERIOD (FISCAL 2007 FIRST HALF)

Total income: ¥9.6 trillion Postal Service: ¥0.9 trillion Postal Savings: ¥1.4 trillion Postal Life Insurance: ¥7.4 trillion	Total expense: ¥10.5 trillion Postal Service: ¥1.7 trillion Postal Savings: ¥1.4 trillion Postal Life Insurance: ¥7.4 trillion
	Total current loss: -¥0.9 trillion Postal Service: -¥0.8 trillion Postal Savings: -¥0.06 trillion Postal Life Insurance: —
Of which The amount resulting from the influence of charge for recognition of obligations under the Public Official Mutual Assistance Association Law Expenses: 1.3 trillion yen Postal Service: 0.7 trillion yen Postal Savings: 0.4 trillion yen Postal Life Insurance: 0.2 trillion yen	

4. PROVISIONAL ASSETS AND LIABILITIES OF THE SECOND MID-TERM MANAGEMENT PLAN PERIOD (AT SEPTEMBER 30, 2007)

Total assets: ¥345.8 trillion Postal Service: ¥2.2 trillion Postal Savings: ¥230.5 trillion Postal Life Insurance: ¥113.9 trillion	Total liabilities: ¥338.3 trillion Postal Service: ¥3.5 trillion Postal Savings: ¥223.2 trillion Postal Life Insurance: ¥112.4 trillion
	Total funds: ¥7.5 trillion Postal Service: -¥1.3 trillion Postal Savings: ¥7.3 trillion Postal Life Insurance: ¥1.5 trillion
Of which Difference of assets and liabilities at the time of establishment of Japan Post: ¥1.3 trillion Retained earnings: ¥4.5 trillion Postal Service: -¥0.6 trillion Postal Savings: ¥1.8 trillion Postal Life Insurance: ¥0.04 trillion Postal Service: -¥0.8 trillion Postal Savings: ¥5.2 trillion	

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3. Status of Achievement of Mid-term Management Goals

Status of achievement of Mid-term Management Goals for the first term (fiscal years 2003-2006) is as follows:

			FY 2003	FY 2004	FY 2005	FY 2006	1st term: 4 years (Total or average)
Postal Service	Accumulated funds of ¥50 billion or more	Goal	- 2.6billion yen	11.8billion yen	20.8billion yen	22.4billion yen	—
		Results	26.3billion yen	28.3billion yen	2.6billion yen	1.8billion yen	59.2billion yen
	Business expense rate: 98.5% or less	Goal	99.3%	98.6%	98.1%	98.1%	—
		Results	96.9%	98.4%	99.2%	98.5%	98.3%
	On-time delivery rate: 97.0% or higher	Goal	97.0%	97.0%	97.0%	97.0%	—
		Results	97.5%	97.2%	97.3%	97.3%	97.3%
Postal Savings Service	Accumulated funds of ¥3.9 trillion or more	Goal	1,135.5billion yen	961.8billion yen	923.1billion yen	878.1billion yen	—
		Results	2,275.5billion yen	1,209.5billion yen	1,930.4billion yen	940.6billion yen	6,356.2billion yen
	Business expense rate: 0.52% or less	Goal	0.50%	0.51%	0.53%	0.54%	—
		Results	0.46%	0.45%	0.47%	0.51%	0.47%
Postal Life Insurance Service	Total added Contingency Reserve and Price Fluctuation Reserve: ¥300 billion or more	Goal	- 32.4billion yen	55.1billion yen	77.6billion yen	207.0billion yen	—
		Results	4.1billion yen	551.7billion yen	931.8billion yen	1,025.0billionyen	2,512.8billion yen
	Business expense rate: 5.1% or less	Goal	4.91%	4.96%	5.05%	5.30%	—
		Results	5.02%	4.80%	4.86%	6.10%	5.14%
	Lapse and Surrender rates: Insurance: 3.6% or less Annuity insurance: 2.3% or less	Goal	3.6%	3.6%	3.6%	3.6%	—
		Results	2.3%	2.3%	2.3%	2.3%	—
			3.4%	3.1%	3.1%	3.1%	3.2%
			1.7%	1.5%	1.5%	1.5%	1.5%

Note 1: "Goal" above denotes estimated figures based on the Mid-term Management Plan for each fiscal year.

Note 2: Business expense rate of Postal Service = (Operating cost + SG&A expenses)/Operating income × 100

Business expense rate of Postal Savings Service = Operating expense/Average balance of Postal Savings × 100

Business expense rate of Postal Life Insurance Service = Business expense/Premium income × 100

(Reference)

In accordance with Article 37 of Japan Post Law, etc., Japan Post completed the payment earmarked for the national coffer, amounting to 962.5 billion yen, on July 10, 2007.

Note: Payment earmarked for the national coffer (Article 37 of Japan Post Law, Articles 2-3 of the enforcement regulation of the same law):

In accordance with relevant laws and regulations, Japan Post shall pay to the government half the balance amount of the accumulated funds arising out of net income for the final fiscal year of the four-year period of Mid-term Management Plan subtracted by the amount necessary for ensuring the soundness of Japan Post's management (base amount); Provided, however, that the payment shall be made only when the accumulated funds surpass the base amount.

3. Action Plan

1. Action Plan Objectives

The Action Plan is a corporate action program for further strengthening the management foundation of Japan Post, by turning its management vision into reality and ensuring the achievement of goals for mid-term management plan, under the new management structure after its change to a public corporation. We have worked hard to restructure our management under this plan, which was divided into two phases: Phase 1 for the first two years, and Phase 2 for the remaining two and a half years beginning in fiscal 2005.

Japan Post regards phase 2 as the “step” stage in which we will further nurture the burgeoning results achieved in Phase 1, which is regarded as the “hop” stage. With an eye toward “growth and development,” or the “jump” stage, after privatization and partition of Postal services in October 2007, we are striving to carry through Action Plan Phase 2 in order to put the finishing touches to Japan Post’s reform by further promoting and ensuring management restructuring.

2. Main Menus of Action Plan Phase 2 (Wide Strategy)

Japan Post has set two themes for Action Plan Phase 2: “Promote the reformation of awareness and the workplace culture, create new value and pursue sound growth” and “Strengthen our footholds during these two and half years for growth and development in fiscal 2007 and beyond.” We have also formulated a corporation-wide strategy, focusing on five core areas: “Business,” “Growth,” “Strengthening competitiveness,” “Personnel” and “Organization” and “Internal control” that supports all of the such core areas. The specific main menus for each area are established.

MAIN MENUS

“Business”

To realize “Macco Services,” we will further boost goods, services, and marketing capabilities, and make great efforts to raise customer satisfaction (CS).

In the Postal Business, we will further improve services, for example, by increasing the speed of the Yu-Pack service, aiming to grab a 10% share of the parcel delivery market under the slogan “Target 10.” We will improve services that meet corporate needs to expand the market for corporate mail and direct mail.

Regarding the Postal Savings Business, we will expand ATM alliances, increase partners in association with remittance services, and enhance the multi-payment network service. At the same time, we will establish a system for selling trust funds and promote their sales through offering consultation services.

In the Postal Life Insurance Business, we will reinforce the system for providing customers with consultation services through the Kampo Call Center, and promote sales by offering consultation services based on face-to-face communication.

To boost CS, we will introduce the Customer Treatment Level Certification System, through which we will improve employees’ customer service skills and have them thoroughly implement the basic standards of behavior required when dealing with customers, while correcting any discrepancies among employees or post offices concerning customer service.

“Growth”

We will strive to create new earnings sources, aiming to reform earnings structures of the current three service sectors responding to the changes of customer needs and the market. To this end, we will make a prior investment of about 470 billion yen in total, with the future in mind.

As for the Postal Business, we will invest around 350 billion yen in the improvement of information systems to enhance customer services, including the reorganization of the network to increase the speed of services and increasing the number of points where postal tracking information is input. In the financial business, we will invest about 100 billion yen in boosting the functions of post offices as a family bank. Specifically, we will install automatic cashier machines at all post offices, and improve security functions by introducing IC-based cash cards to increase the accuracy of identifying the individual concerned. Furthermore, we will make an investment worth some 20 billion yen to strengthen the IT base of post offices.

To realize a “one-stop convenience office concept,” which is designed to enhance counter services, we will strengthen alliances with private companies and local public organizations. We engage in expansion of clerical work entrusted by local public bodies and offer services.

“Strengthening Competitiveness”

Japan Post runs operations in the logistics and financial markets, and aims to be competitive to rank alongside its rivals in

these markets.

With regard to the JPS (a campaign to raise productivity), in the Postal Business, we will further increase the number of post offices that adopt the JPS, which reached 1,000 in fiscal 2004, aiming to boost productivity by 15% over the two-and-a-half-year period of Phase 2. In the Postal Savings and Postal Life Insurance Businesses, we will strive to maintain operational quality as a financial institution, for instance, by eradicating a surplus or lack of cash, promote the JPS, and improve the efficiency of bill collection. As we did in Phase 1, we will also cut procurement costs, aiming for a reduction of at least 10% from fiscal 2004 over the period of two years.

Through these efforts, we will shift to a highly productive system, and reduce the work force (to 253,000 employees as of the end of September 2007).

“Personnel”

We consider it important to increase employee satisfaction (ES), in order to: offer “Macco Services” to customers; and make the workplace pleasant, make employees feel that they have good prospects for the future and feel that their jobs are worth doing. Hence, we will endeavor to create workplaces where employees can do lively work, and to make the best use of our human resources.

Specifically, we will improve and boost in-house communication through “ES bottom-up meeting” and by other means, aiming to deepen employees’ understanding of management policies. By doing this, we will strengthen the structure for offering “Macco Services.” We will also expand courses for training such specialists as consulting staff, assign personnel according to their ability and experience, and reclassify the different categories of work to promote the mobility of personnel, including duty staff that are both internal and external to the company. In addition, we will proactively hire employees from outside the company and assign the right staff in the right place within the corporation.

“Organization”

We will further promote “the reformation of awareness and the workplace culture” to enhance the core functions of post offices, thorough compliance efforts, build an accounts system that is comparable with that adopted by private businesses and establish risk management systems that financial institutions need to build.

Specifically, we will reform post offices to convert them to “market-oriented corporate” organizations, and promote “cultural reforms” to create a culture that helps to invigorate the company and provide flexibility, departing from the conventional culture and eradicating the governmental managed-type workplace.

We will also establish compliance efforts and personal information protection systems to strictly implement the crime prevention guidelines (“red sheet”) and promote crime prevention action plans. With regard to the establishment of an accounts-settlement system, we will thoroughly follow corporate accounting principles in two stages (May and October 2007). Furthermore, we will further develop risk management systems and reconstruct crisis management systems.

“Internal Control”

Establishment of internal control is a prerequisite to every process of business and enables us to win the support and trust of customers and raise market value. Against this backdrop, we are working on the “establishment of a mechanism (internal control) for protecting customers, business and employees.”

Specifically, we will redistribute management resources intensively to internal management, and raise the weight of business process quality and compliance efforts in performance assessment.

We will also enhance the inspection system for the improvement of operational quality by establishing a PDCA cycle of operational management and setting up a structure to grasp the actual status of the frontline and the organizational reform of internal management at the head office, branch offices and operations centers.

Furthermore, we will enhance training and increase the number of comprehensive audit on post offices, while the management will verify the improvement of items pointed out by internal audit.

Note: Since it is necessary to reach an agreement with the labor unions concerned regarding items that require the revision of agreements as a result of implementing measures to increase efficiency or changing labor conditions, hereafter Japan Post will conduct consultations and negotiations with the unions concerned.

For further details of the Action Plan, please see the Japan Post website at:
<http://www.japanpost.jp/top/action/index.html>

3. Japan Post's Action Plan for the Postal Service - Phase 2

Development of the foundations for business expansion and reorganization through reforms and customer satisfaction improvements that put the customers' interests first

I Provision of service achieving a high level of customer satisfaction

Establishment and further enhancement of first-rate service

- (1) Customer satisfaction improvement: Accelerate and continue the 0-D Campaign*, as well as take exhaustive measures to prevent misdelivery, ensure the observance of delivery dates and times, improve customer service and employee manners, and promote expansion of call centers handling requests for collection and redelivery.

Note: The 0-D Campaign is a "zero-defect campaign" which aims to achieve zero postal accidents and crime from the perspective of improving customer service — the fundamental aim of the service business.

- (2) Product and service improvement: Improve Yu-Pack, business mail, direct mail (DM) and EMS services, issue appealing stamps and postcards, enrich overall service, and enter into international logistics business.
- (3) Improvement of convenience: Expand access points through such efforts as increasing the number of Yu-Pack service counters, along with post offices operating on Saturdays and Sundays, and extending their counter service hours, quickly provide detailed operational information concerning mail, and improve Japan Post's Internet website.
- (4) Employee satisfaction improvement: Review employees' benefits and compensation based on their performance, increase the number of courses aimed at utilizing and fostering employees, and appoint capable staff with specialist knowledge and experience in the head office and branches.

II Structural reforms to achieve reliably profitable operations

Productivity, operation foundations, marketing promotion system, etc.

- (1) Promotion of JPS (Japan Post System): Firmly establish and enhance JPS, and introduce a structure for evaluating the actual effects of JPS.
- (2) Sweeping reform of operational foundations: Establish Tokyo Metropolitan bypass networks, reorganize regional operations, set up Chubu International Post Office, reorganize collection/distribution bases nationwide, and improve delivery quality and enhance collecting and marketing capabilities through a re-evaluation of external work systems.
- (3) Reinforcing sales capabilities: Implement sales strategies tailored to each industry's trends, improve all corporate sales skills, train employees capable of providing a wide range of proposals from sales promotion to logistics, improve sales capabilities for small- and medium-size companies, promote sales at service counters, and increase staff at the international postal service sales center.
- (4) Cost reduction: Reduce personnel expenses and slash transport expenses for all mail collection and distribution.
- (5) Improvement of information system: Promote further enhancement of the postal information system.

III Enhancement of internal control

- (1) Thorough implementation of compliance: Enhance a compliance promotion system, intensively give guidance in appropriate receipt of charges and confidence of letters, and reform the mindsets of employees during compliance training.
- (2) Thorough observance of appropriate receipt of charges: Improve the procedures for receiving charges, enhance the acceptance inspection system, strengthen monitoring, and establish a structure that ensures appropriate receipt of charges through mutual inspection by post offices, and the like.
- (3) Prevention of incidents of excessive or insufficient cash: Investigate the causes of frequent occurrence of incidents of excessive or insufficient cash and implement proper measures to cope with such cases.

4. Japan Post's Action Plan for the Postal Savings Service Sector - Phase 2

1. "MACCO SERVICE" (STRAIGHTFORWARD CUSTOMER ORIENTED SERVICE)

- Ensuring operational quality and compliance expected of a financial institution
 - Establishment of a structure to completely eliminate incidents of excess or insufficient cash reserves (installation of Automatic Cashier Machines (to be implemented in all post offices by the end of 2007))
 - Thorough implementation of compliance and customer information control through the utilization of training programs, red sheets, etc., and verification of the state of observance of handling procedures, etc. through monitoring
 - Prevention of theft and fraud resulting from the use of stolen passbooks and forged and stolen cash cards through the introduction of IC cards and bio-certification (in October 2006)
- Thorough implementation of operational risk management of the post office counter by setting rigorous numerical goals
 - Strict implementation of ceiling limit management (through establishment of a new system to identify multiple accounts under the same name (operations slated to begin in October 2007))
- Establishment of a structure to prevent crimes by employees
- Improvement of customer service
 - Improvement of the level of customer satisfaction through effective utilization of the "Text for Improving Customer Service and Staff's Manners"
 - Improvement of services through effective utilization of the results of customer satisfaction surveys

2. BUILDING A SOUND MANAGEMENT BASE (EFFORTS FROM THE PERSPECTIVE OF IN-HOUSE PROCEDURES)

- Strengthening earnings management and risk management of existing services
 - Bolstering of ALM control through strengthening analysis of liability trends
 - Reevaluation of investment assets portfolios
 - Promotion of the Teigaku savings deposit and Time savings deposit from the perspective of ALM
 - Reevaluation of products, services and fee systems for remittance and settlement services, etc.
 - Establishment of a new system that enables thorough implementation of earnings management and risk management
- Improvement of the marketing base and effective utilization of data
 - Promotion of efficient sales through the introduction of a marketing data system for user households
 - Improvement of the customer retention rate through winning new high-quality contracts and extensive promotion of multiple contracts
- Selective investment in new business service fields
 - Securing profitability of investment trust sales and improvement of customer service on early date
 - Establishment of a management system and structure in preparation for diversification of asset types
 - Development of products and systems to enrich IC card related services
- Reevaluation of delivery channels
 - Improvement of productivity through the reevaluation of the placement of ATMs and personnel
 - Strengthening of direct channels
- Promotion of JPS (JAPAN POST SYSTEM; efforts to improve productivity)
 - Improvement of the productivity of Postal Savings Operations Centers
 - Implementation of JPS in all post offices

3. PROVIDING A SATISFYING WORK ENVIRONMENT WHERE EMPLOYEES CAN LOOK FORWARD TO A BRIGHT FUTURE (EFFORTS FROM THE PERSPECTIVES OF SKILL AND ABILITY DEVELOPMENT AND GROWTH)

- Developing and securing human resources
 - Encouragement and support for the acquisition of the Securities Solicitation Agent Qualification
 - Securing persons possessing specialized abilities in fields requiring advanced specialized knowledge and experience, such as fund management and risk management
 - Improvement of skills and abilities of part-time workers through setting up Postal Savings Training Centers
 - Granting incentives for strategic product sales
- Improvement of the working environment
 - Improvement of employee satisfaction through setting of goals and evaluations based on a points system that is devised to show employees' contribution to the business in a better and clearer way
 - Invigoration of the organization through the mutual exchange of opinions by reforming communications
 - Improvement of service counter operations through installation of more Automatic Cashier Machines

5. Japan Post's Action Plan for the Postal Life Insurance Service Sector - Phase 2

Business Philosophy Strive to be a Postal Life Insurance Service that offers first rate satisfaction by providing “the best service for basic livelihood security”

Business Vision (direction in which business management should move)

Macco Service	<ul style="list-style-type: none"> ○Practicing “business management that puts the customer first” ○Strengthening of family bank functions
Creating a sound management foundation	<ul style="list-style-type: none"> ○Building of a firm and sound financial foundation by strengthening sales abilities and fund management abilities ○Secure a fixed share of the individual life insurance market
Providing a satisfying working environment where employees can have expectations for a bright future	<ul style="list-style-type: none"> ○Providing a congenial and satisfying working environment

Goals of Action Plan – Phase 2: “Strengthening the structure of the core business and system improvement for new growth”

I Maintain and improve the brand

We will strive to maintain and improve the “Kampo” brand as life insurance of familiar post offices in order to provide “security” to more customers

- (1) We will strive to further ensure all employees’ compliance awareness in a bid to strengthen customers’ trust in us. We will also work on improvement plans to enhance internal control on a company-wide basis. We will take the following improvement measures in the postal life insurance service sector:
 - Thoroughgoing implementation of compliance (enhancement of sales management system, prevention of crimes by insiders, implementation of personal identification, etc.)
 - Improvement of operational quality (prevention of accidents of excessive or insufficient cash, prevention of accidents in handling operations, etc.)
- (2) We will provide more appealing services to customers by collecting opinions of customers extensively and making efforts for the improvement of services and operations from the standpoint of customers.

II Improvement of profitability

We will strive to establish a firm financial basis and guarantee the lives of customers over a super long term.

- (1) We will strive to improve the consulting techniques of staff and conduct consulting sales activities that match the needs of customers. We will also enhance follow-up for customers and curb lapses and surrenders to retain the guarantee of customers.
- (2) We will do our utmost to improve the efficiency of operational management through promotion of JPS and improvement of the efficiency of collection operations.
- (3) We will strive to improve investment earnings through establishment of investment system and enhancement of investment abilities.

III Enrichment of business management

To maintain sound management in the postal life insurance service, which offers super-long term insurance policies, in the future, we will increase the sophistication of ALM and risk management, while properly carrying out ALM and risk management.

IV Improvement of employee satisfaction

To improve employee satisfaction, we will establish an environment that enables employees to actually feel “Japan Post provides a satisfying working environment where employees can have expectations for a bright future.”

1 Highlights

2 Topics

3 Management Efforts

4 About Japan Post

5 Data

4. Enhancement of Internal Control

Japan Post set up “Internal Control Enhancement Headquarters” in May 2006, discussed improvement measures for the enhancement of internal control, with its privatization and partition of postal services in October 2007 in view, and formulated “Improvement Plan for the Enhancement of Internal Control” (in September 2006).

Japan Post is currently making company-wide efforts to implement this improvement plan, regarding the implementation of the plan as the most important management challenge.

“Improvement Plan for the Enhancement of Internal Control” (Outline)

Particularly urgent issues positioned as the “four most important items”

(1) Prevention of crimes by insiders

- Establish structures and systems by the privatization of Japan Post to extendedly prevent the occurrence of crimes and immediately detect crimes when they occur.

- Promote cashless operations (promotion of transfer of insurance benefit, etc. to accounts), introduce key/card management machines, install security cameras inside offices and take other measures.

(2) Prevention of incidents of excessive or insufficient cash

- Sharply reduce the number of incidents of excessive or insufficient cash in the three service sectors before the privatization.
- Install Automatic Cashier Machines in all post offices

(postal savings), install cartons separately for receipt and payment, exhaustively issue receipts (postal service), introduce cash handling record slips (postal savings and insurance), install change machines on a trial disposition (postal service), and take other measures.

(3) Proper management of postal income

- Establish structures and systems to restrain the occurrence of improper cases and quickly detect such cases when they occur.
- Make known to everyone the work methods, assign

inspection manager exclusively responsible for inspection, increase the number of inspection equipment, review layout, continue to implement mutual inspection between post offices, enhance the monitoring structures at the head office and branches, and take other measures.

(4) Establishment of insurance sales management system

- Establish a structure to eradicate improper matters before the privatization.
- Intensively implement the idea about thorough

implementation and promotion of proper sales and specific measures to infiltrate action guidelines, enhance the inspection/check systems at branches and the Postal Life Insurance Operations Center, and take other measures.

Extraction of “cross-sectional issues” common to individual challenges and efforts for them (General control)

(1) Management policy and mindset reform

Understanding and infiltration of management policy

- Send messages of the president/CEO to all directors and employees.
- Hold operational research meetings targeting all employees.

Review of distribution of management resources

- Redistribute human resources, goods and money intensively to internal management.
- Necessary personnel measures: About 1,200 full-time employees and about 900 part-time employees
- Budget measures: About ¥150 billion for fiscal 2006 and 2007 in total

Review of performance assessment of branch and post office managers

- Raise the weight of operational quality and compliance in assessment.

(3) Review of business flow

Installation of business planning department, etc.

- Promote PDCA cycle of operational management and implement day-to-day operational improvement

Enhancement of inspection system for the improvement of operational quality

- Review inspection items and quantitatively restrict directions requiring reports

Drastic review of regulations, manuals, etc.

- Carry out standardization (unification of forms) and nationwide unification (abolition of original rules)

(4) Review of staff training, disposition, etc.

Enhancement of training

- Improve linkage between group training and OJT and review curricula of career staff training

Review of personnel rotation, incentives, etc.

- Enhance the system to make employees continuously leave workplace, with transfer as principle

Correction of mismatch between necessary personnel and workload

- Investigate the actual status of the business at post offices and necessary personnel measures

Improvement of convincingsness of disciplinary punishment and admonition

- Correct an imbalance of determination and decide “important deals” at the head office

(5) Internal audit, etc.

Enhancement of internal audit structures, etc.

- Implement comprehensive audit on all post offices once a year

Reflection of items pointed out in management

- Periodically verify the improvement status at the Board of Directors, the Executive Committee, etc.

Extraction of “individual important issues” in consideration of suggestions from outside organizations, in addition to the “four most important four items”, and efforts for them (business operation control)

(1) Securing of accuracy of settlement and accounting processing

- Enhance the system for investigation of causes of counting disagreement at operation centers, establish a system to clarify causes and resolve trouble and drastically resolve the issue in the settlement of accounts in September 2007.
- Secure accuracy of management operation for stamps, etc. to establish a system under which money and goods are consistent with each other.

(2) Elimination of antisocial forces

- Clarify the stance of the management toward the elimination of antisocial forces by clearly stating the elimination of antisocial forces in the “The Japan Post Charter”, etc.
- Cope with antisocial forces systematically and effectively, establish standards for the elimination of unreasonable demand, and set up a system to support handling of unreasonable complaints.

(3) Protection of personal information and information security

- Transfer the information system (including information security) operations of regional network centers to branches to operate the systems integrally with protection of personal information at post offices.
- Abolish personal computers bought and brought in by employees and those bought by offices on their own to implement unitary management of PCs within Japan Post.

(4) Securing of quality of information systems

- Stipulate judgment and confirmation procedures when new systems come on stream and existing system are revised, with important judgments to be made at the Board of Directors, etc.
- Implement transfer judgment based on quantitative indicators, coinciding with the revision of the postal insurance comprehensive information system, and verify processes.

(5) Management of deposit limit and restriction on number of passbooks (postal savings)

- Resolve those who have deposits in excess of the ceiling limit by September 2007, excluding persons to whom request cannot be made since heirs are not known due to the death of account holders and persons who temporarily have deposits in excess of the ceiling limit.
- Continue to demand those who have more passbooks than the limit to decrease the number of passbooks, and take a measure to pay no interest to them.

(6) Personal identification (postal savings)

- Enhance inspection subjects at the Operations Centers and strengthen analysis of incomplete items.
- Branches and regional centers give instructions to post offices based on the analysis.

(7) Management of insurance limit (postal life insurance)

- Establish systems for grasping the full picture of contracts that exceed the limit at the head office and the Operations Centers and thoroughly implement limit management at post offices.
- Implement inspection using “new contract application check sheet” and enhance limit management at the Operations Centers (investigations into causes of occurrence and preparation of points to be considered in limit audit).

(8) Identity verification (postal life insurance)

- Establish system check mechanism at Operations Centers.
- Compile and distribute identity verification document list, and implement inspection using “new contract application form check sheet.”

(9) Management of payment groups (postal life insurance)

- Thoroughly implement schedule management to eradicate improper payment groups and enhance efforts to cope with improper payment groups that are difficult to be improved.

(10) Insurance money payment operations (postal life insurance)

- Enhance the insurance money payment management system at the head office by the privatization, referring to the supervisory guidelines of the Financial Services Agency.
- Establish a division in charge of audit on insurance money payment screening, etc. at Operations Centers, and start post verification and external check by lawyers.

“Issues to be tackled by Japan Post and JAPAN POST HOLDINGS Co., Ltd. in cooperation” toward implementation after the privatization

(1) Drastic review of business flows in general (standardization and systematization)

- Push forward with discussions to realize drastic review of business flow by fully introducing computer systems, since it is necessary for drastic resolution to eliminate manual handling as much as possible and reconstruct business flows that will not allow handling against regulations and that will leave necessary records.

(2) Drastic review of merchandise and services

- With regard to merchandise and services for which internal control cannot be fully established, push forward with discussion, with fully system-based response in mind, since drastic review and study are necessary, including abolition and limit to post offices that handle such merchandise and services.

For further details of Improvement Plan for the Enhancement of Internal Control, please see the Japan Post website at:
<http://www.japanpost.jp/pressrelease/japanese/sonota/060920j901.html>

5. Corporate Governance

1. Governance within Japan Post

In Japan Post, the “Board of Directors,” which consists of the President, Senior Executive Vice Presidents and Executive Vice Presidents, serves as the highest decision-making body and discusses and decides on such key managerial issues as management strategies, budgets and settlement of accounts. Among participants in Board of Directors meetings are outside Executive Vice Presidents (three of them as of June 2007). In April 2004, as part of its management overhaul, the corporation introduced an executive officer system to strengthen its management capabilities.

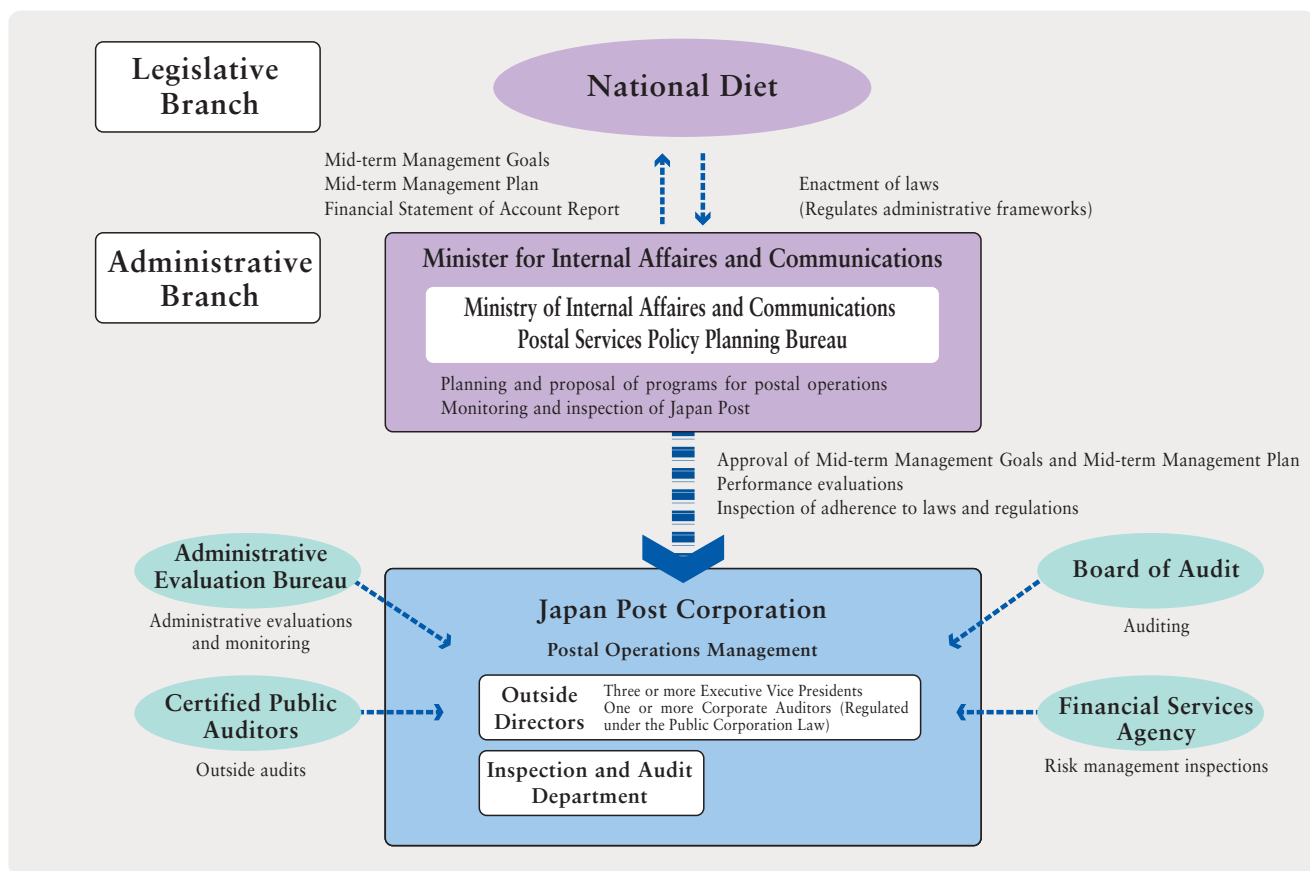
The “Strategic Committee” (which consists of Executive Officers who hold responsible posts) deliberates on important matters concerning Japan Post’s management or business operations. The “Executive Committee” (which is composed of all Executive Officers) discusses important matters decided by the president.

Under the Executive Committee, there are ten special committees, including the IT Strategy Committee, the Governance and Compliance Committee and the Investment Committee, which complement the Executive Committee’s functions through deliberation of special matters about management or business operations.

Under the above corporate structure, the corporation is also working hard to thoroughly implement compliance and strengthen its risk management system, in order to enhance the internal control structure.

2. Outside Governance of Japan Post

As a national public corporation providing services of high public value, Japan Post engages in independent and flexible management under national government supervision. For example, its mid-term management goals and mid-term management plans require approval by the Minister for Internal Affairs and Communications. This minister also assesses the corporation’s performance. Furthermore, as with private companies, independent accountants audit the corporation and the Financial Services Agency inspects our risk management, in order to check whether we are appropriately implementing business operations. Japan Post uses this public outside governance to establish sound management practices and to fulfill its responsibilities for stable provision of high-quality services to customers.



6. Compliance Efforts

Japan Post believes that compliance is one of its most important management issues and is striving to ensure observance. We strive to put compliance into practice in daily work to gain the customers' trust (society's trust).

"Compliance" does not simply refer to observance of laws, regulations and rules. All Japan Post executives and employees observe such laws as a matter of course and also strive to practice ethical behavior, observe social mores, morals and manners, as well as act in an equitable manner.

We establish compliance policies and a system to ensure compliance throughout Japan Post. Further, we strive to inculcate awareness of compliance issues through conferences and training.

1. Establishment of Compliance Policies

Japan Post has established the compliance policies outlined below:

(1) Japan Post Basic Compliance Policy

The Basic Compliance Policy establishes the basic components to promote compliance, based on Japan Post Management Philosophy and the Japan Post charter.

(2) Guidelines for Provision of Products and Services

Based on (1), the basic stance on providing products and services at post offices is established.

(3) Japan Post Compliance Program

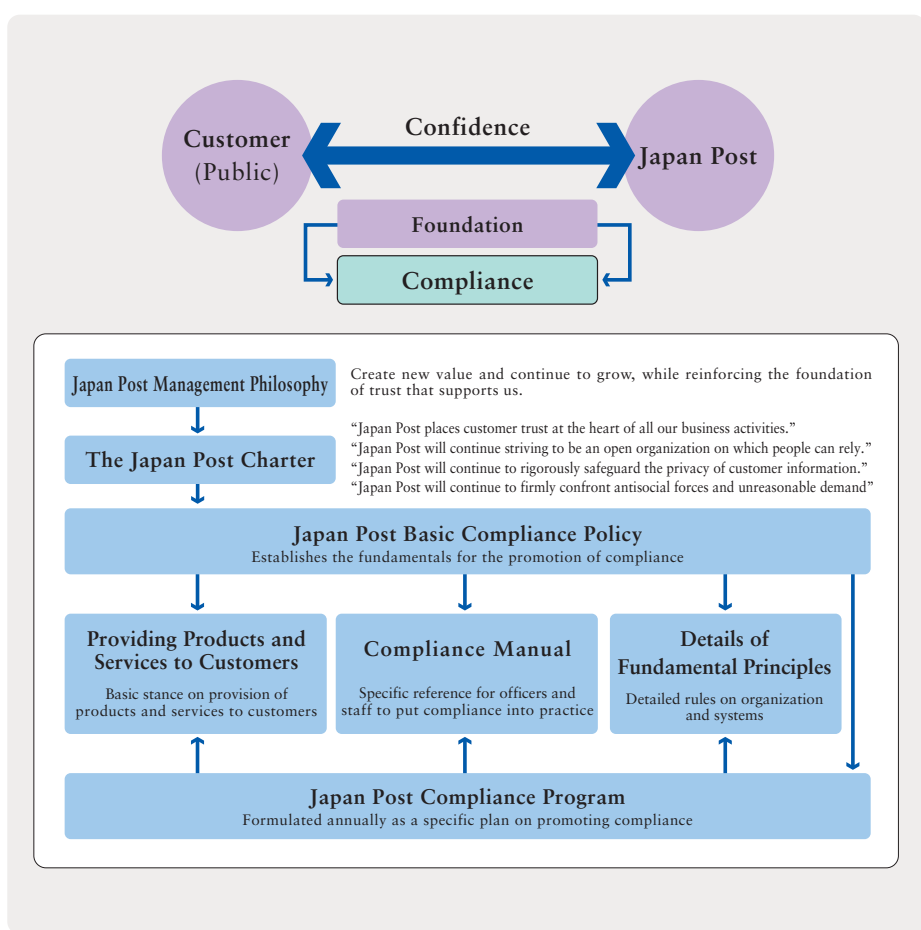
Based on (1), the Compliance Program establishes specific plans to promote compliance and is formulated on an annual basis.

(4) Compliance Manual

Based on (1), the Compliance Manual serves as specific guidelines so that executives and employees practice compliance and is distributed to all executives and employees.

In addition to the above Compliance Manual for all executives and employees, we have also written and distributed a "Compliance Manual (for employees engaged in investment trusts operations)," a "Compliance Manual (for employees in the insurance area)," a "Compliance Manual (for employees in the Policyholder Welfare Facilities)" and a "Compliance Manual (for employees in the Japan Post Hospitals)."

■ System of Compliance Principles



■ Guidelines for Provision of Products and Services

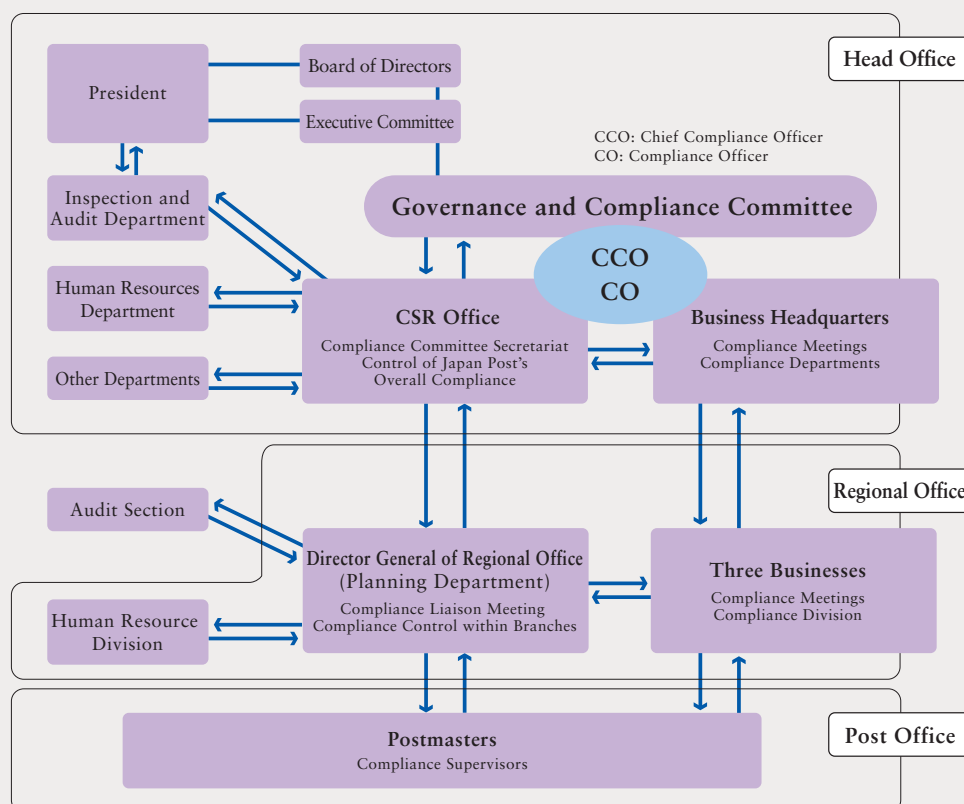
At Japan Post, we shall observe all relevant laws and regulations and endeavor to provide products and services in an appropriate manner, as detailed below, on the basis of the Japan Post Charter.

1. We shall seek to meet customer needs by providing products and services in an appropriate manner.
2. We shall endeavor to provide information that leads to an adequate understanding of the content of goods and services so that customers are able to make their own choices.
3. We shall not give out uncertain or untrue information, or otherwise provide misleading explanations to our customers.
4. We shall strive to provide explanations concerning our products and services at times and locations that do not pose an inconvenience to our customers.
5. We shall strictly maintain the confidentiality of customer information in the course of providing our products and services.
6. As training to facilitate the provision of goods and services is enhanced in a fair manner, each individual shall also endeavor to acquire required knowledge.

2. Creating a System for Compliance Promotion

The Japan Post Governance and Compliance Committee was established at Head office as a system to promote compliance based on the Japan Post Basic Compliance Policy. The Chief Compliance Officer (CCO) was also appointed to take responsibility for controlling the promotion of compliance measures throughout Japan Post. Compliance Officers (CO) were also appointed at the headquarters' CSR Office and the three business departments to take responsibility for controlling the promotion of compliance efforts, and a compliance supervisor was appointed in each organization.

■ Compliance Promotion System Chart



7. Internal Audit System

Japan Post has established the Inspection and Audit Department at the head office and regional Inspection and Audit Offices (in 50 locations), and these are independent of bodies such as the business headquarters. The Inspection and Audit Department of the head office and Inspection and Audit Offices verify and evaluate how management activities of all businesses of Japan Post are executed and controlled from the standpoints of appropriateness and effectiveness, so that the postal business can be managed efficiently and economically.

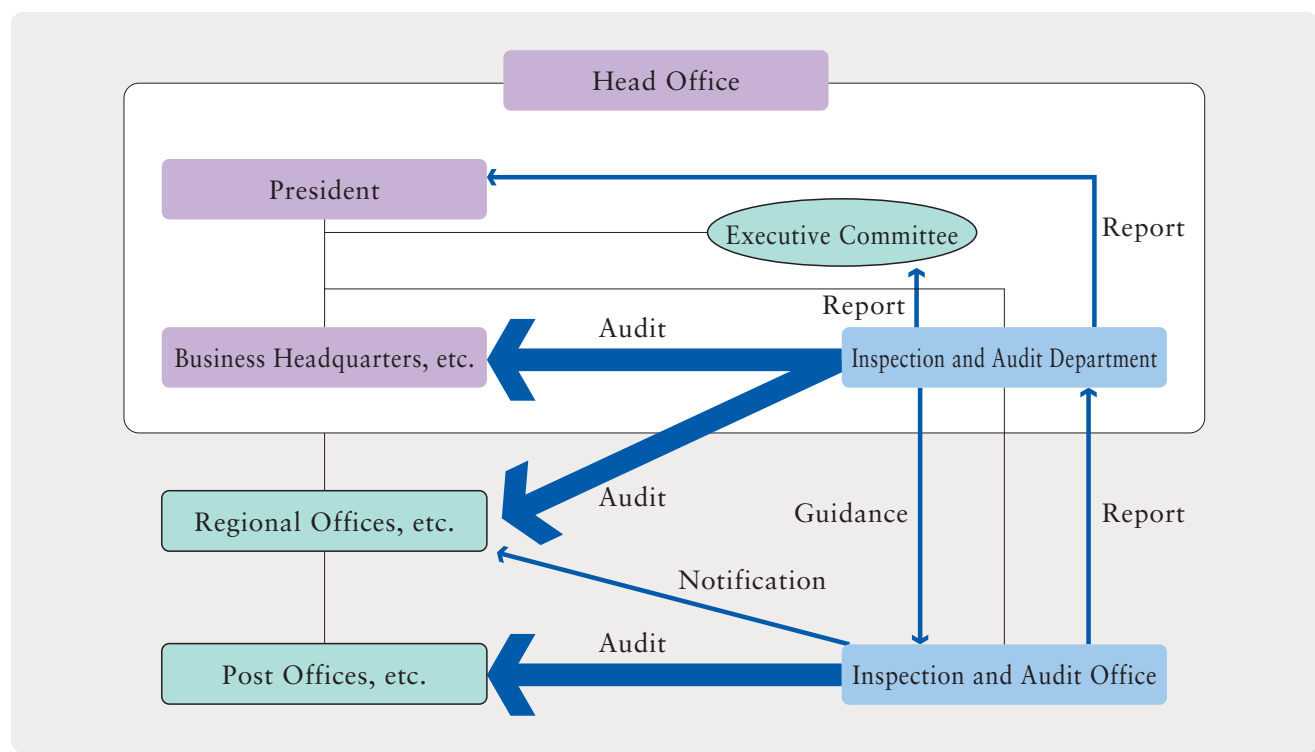
The Inspection and Audit Department at the head office conducts risk assessment for each department including the business headquarters, and audits relevant divisions of the head office, regional offices, administration centers and affiliated facilities (excluding Policyholder Welfare Facilities) based on the results of the risk assessment.

The Inspection and Audit Offices audit post offices and Policyholder Welfare Facilities in line with the audit items set by the Inspection and Audit Department at the head office based on risk analyses. They implement “general audits” on post offices, which cover clerical work in general, and “specific audits” which are aimed at specific areas of clerical work.

The results of audits carried out by the Inspection and Audit Department at the head office and the Inspection and Audit Offices are compiled into reports containing problems and directions, and submitted to the Executive Committee.

The results of audits of individual post offices are reported to the branch offices so that they can be utilized to provide guidance for post offices.

Internal Audit Structure of Japan Post



8. Risk Management Efforts

1. Basic Concept on Risk Management

Japan Post runs the Postal Business, Postal Savings and Postal Life Insurance — three distinct businesses that each face different risks.

In order to ensure sound management and earn the customers' trust, Japan Post prioritizes risk management as one of its most important management issues. The Board of Directors establishes the Japan Post's Basic Principles on Risk Management to serve as the company-wide policies that will guide Japan Post's efforts to manage risk.

Japan Post's Risk Management System

Japan Post has established a Postal Business Headquarters in charge of the Postal Business, a Postal Savings Headquarters in charge of the Postal Savings and a Postal Life Insurance Headquarters in charge of the Postal Life Insurance Businesses. Separate departments are set up to take charge of overlapping operations, such as human resources and accounting. Based on Japan Post's Basic Principles on Risk Management, risk management supervisors are appointed to develop methods appropriate to the features of their operations for risk management.

In particular, an Integrated Risk Management Department was established in the Postal Savings Headquarters and the Postal Life Insurance Headquarters as a risk management department whose role is to conduct integrated risk management for their respective businesses. Additionally, a Risk Management Committee was respectively set up to discuss risk management issues. These steps are intended to enhance the risk management system.

The Internal Monitoring Department regularly monitors the effectiveness and validity of the risk management functions of these Headquarters.

2. Risk Management in Postal Savings Business

(1) BASIC CONCEPTS ON RISK MANAGEMENT

Japan Post recognizes that coping with risks arising from operational management is an important governance issue in postal savings business, and is working on the establishment of risk management systems.

These systems roughly classifying risks into “corporate value fluctuation risks,” which are evaluated for the purpose of maintaining sound management, and “operational risks^(note) (market risk, liquidity risk, computer system risk and operation risk),” which are managed with the intention of maintaining reliability.

Note: In the Postal Savings Business, Japan Post regards market and liquidity risks, given the management type of a public corporation, and manages the risks by focusing on conformity to rules. Hence, the operational risks described in this document differ from those that are generally used.

Japan Post is also straining to establish a risk management structure appropriate to the diverse and complex nature of its operations as it moves towards the split-up and privatization in October 2007.

(2) RISK MANAGEMENT IN POSTAL SAVINGS BUSINESS

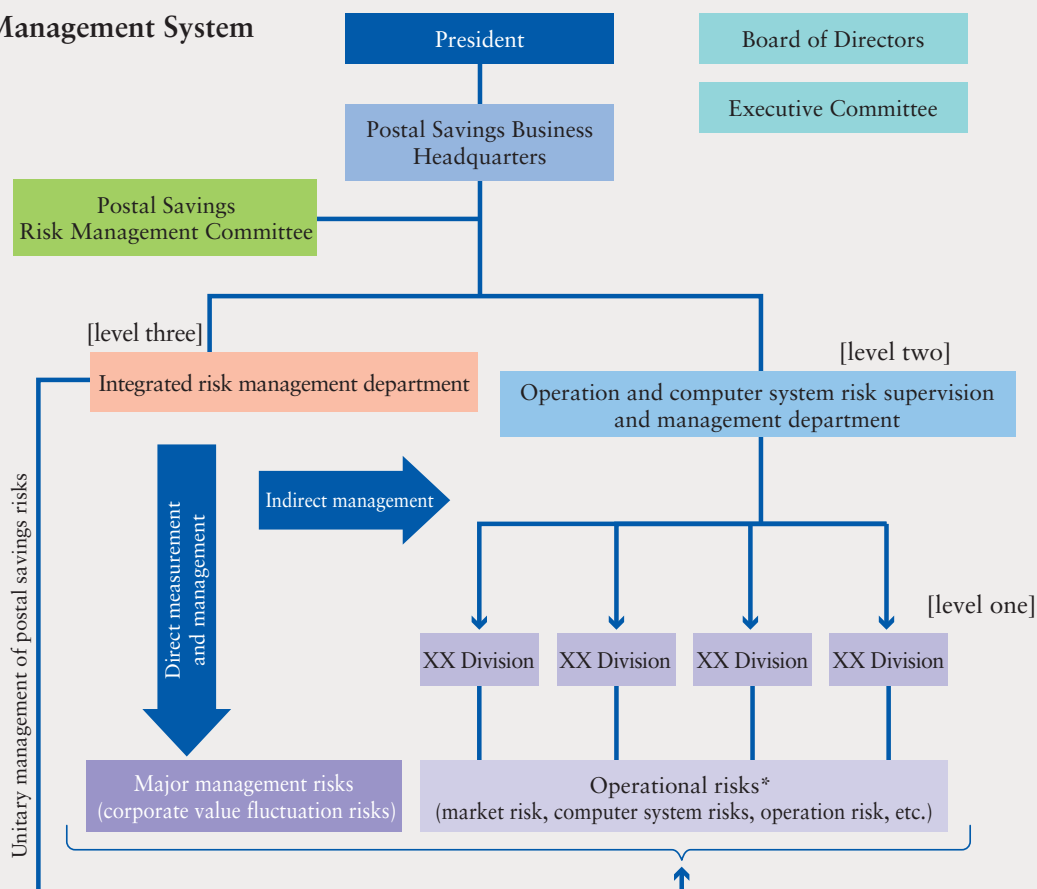
Postal Savings is a financial service essential to individuals’ daily lives and is available at about 24,100 post offices across Japan. Its distinctive characteristics distinguish it from other financial institutions.

Postal Savings risk management system makes the best use of managerial resources, and is based on the concept of “simple and efficient risk management”. The system takes into consideration the balance between the effectiveness of risk management and the efficiency of operation.

Specifically, the Integrated Risk Management Department uses quantitative, probabilistic methods to directly measure and manage risks affecting sound management. The Postal Savings Business organization is divided for convenience into front (The front is further divided with the first tier having jurisdiction over all operations and establishing management relations with the second tier which is responsible for risk management conditions) and middle. The integrated middle (third tier) they indirectly exercises authority over the management system of the first and second tiers. Furthermore, the organization relating to the Postal Savings Business is arranged so that in principle conflicts of interest are divided organizationally and by positions of responsibility. It is an organizational structure that provides mutual checks and balances from the risk management viewpoint.

The risk management in the Postal Savings Business is regularly discussed at the Postal Savings Risk Management Committee under the control of the Director General of the Postal Savings Business Headquarters.

Risk Management System Chart



ROLES OF EACH LEVEL UNDER THE THREE-LEVEL MANAGEMENT SYSTEM

- **Front (level one management)**
Self-management of risks by departments in charge
- **Middle (level two management)**
Management by departments responsible for supervising and managing each risk
- **Integrated Middle (level three management)**
Management by independent integrated risk management departments

(3) SPECIFIC METHOD OF RISK MANAGEMENT

SUSTAIN SOUND MANAGEMENT

Postal Savings' assets primarily consist of securities, such as government bonds, apart from fiscal loan deposits (with a deposit period of seven years at a fixed interest rate), which were deposited before fiscal 2001 when full-scale autonomous investment of Postal Savings funds started. Meanwhile, liabilities chiefly consist of Teigaku Savings (with maximum deposit duration of 10 years, fixed rates and withdrawal permitted after six months).

The primary risks resulting from Postal Savings' assets and liabilities are that customers will transfer their deposits to new Teigaku Savings when interest rates rise, resulting in a mismatch between the interest period of Teigaku savings and asset holdings. This creates the risk of future volatility in profits and losses, and the risk that interest rate volatility will change the value of asset holdings such as Japanese government bonds. These are crucial risks for management, and the two risks are managed together as "corporate value fluctuation risk."

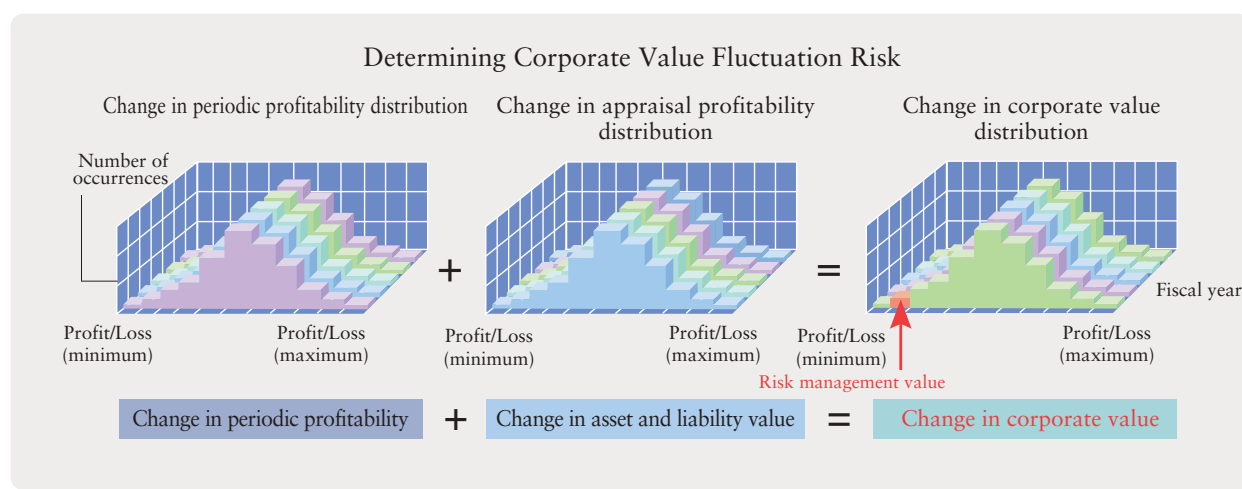
Measuring Corporate Value Fluctuation Risk

Company Earnings and Value at Risk (CEVaR), a method devised by expanding Earnings at Risk (EaR) that takes into account changes in periodic profits and losses, is adopted to measure corporate value fluctuation risk. When making actual measurements, we use the Postal Savings' risk management model that measures CEVaR in practical terms.

Specifically, future assets and liabilities are calculated based on scenarios generated from 10,000 randomly generated interest rates, exchange rates and share prices. Simulating fluctuations in periodic profits and losses and asset values enables Japan Post to gain a quantitative and probabilistic understanding of corporate value fluctuation risk from the profit and loss distribution. The corporation manages its risks by ensuring that 95% of "CEVaR (based on the balance sheet)" (the 9,500th value starting from positive values) among the 10,000 simulation results will not become a deficit.

Postal Savings is also carrying out stress tests using particular scenarios as assumptions that have various effects on management to ensure that a thorough risk management strategy is in place.

Note: "CEVaR (based on the balance sheet)" is the sum of the "difference in assets and liabilities at establishment," "retained earnings (or losses)," and "differences in valuation losses on other securities" (corresponding to capital in the balance sheet of the financial statements)



Measurements Results of Corporate Value Fluctuation Risk (End of March 2007)

	End of FY 2007	End of FY 2008	End of FY 2009
95% CEVaR (based on the balance sheet)	7,497.9 billion yen	8,126.8 billion yen	8,849.6 billion yen

Note 1: The figures for each fiscal year correspond to capital in the balance sheet of the financial statements. The figures represent 95% of CEVaR for each fiscal year using probability distribution.

Note 2: 95% of CEVaR (based on the balance sheet) is the sum of the "difference in assets and liabilities at establishment," "retained earnings (or losses)," and "differences in valuation losses on other securities" (corresponding to capital in the balance sheet of the financial statements), and represents the 9,500th value starting from the positive values among the 10,000 simulation results.

Note 3: The figure for each year does not take into account payment of funds earmarked for government coffers.

Note 4: CEVaR is premised on the current system, not taking into account taxes, such as the corporation and prefectural and municipal fixed assets taxes, deposit insurance premiums, etc.

(Reference) Approximate estimates of risk (sensitivity) from market fluctuations (interest rates, share prices, foreign exchange)

End of March 2007

End of March 200

Factor	Asset		Balance (market value)	Sensitivity	
Interest rate	Yen denominated bonds	Bonds held until maturity	131 trillion yen	+ 0.1%	- 490 billion yen
		Other securities	31 trillion yen	+ 0.1%	- 70 billion yen
	Foreign currency denominated bonds		3 trillion yen	+ 0.1%	- 9 billion yen
Foreign exchange				10 yen appreciation	- 230 billion yen
				10 yen appreciation	- 50 billion yen
Share prices	Foreign shares		2 trillion yen	- 100 points	- 10 billion yen
	Domestic shares			- 100 points	- 70 billion yen

Note 1: The sensitivity of foreign exchange is the sum of the changes of each currency when they change at the same rate as the U.S. dollar.

Note 2: The sensitivity of foreign shares is based on the MSCI Kokusai index, while that of domestic shares is based on the Tokyo Stock Price Index (TOPIX).

Note 3: The sensitivity of foreign shares is the sum of the changes of stock prices when the stock prices of each country change at the same rate as the MSCI Kokusai index.

MAINTAIN CONFIDENCE

The “operational risks,” which consist of market risk, liquidity risk, system risk and administration risk, are managed mainly by conforming to various rules. We identify risks using a risk evaluation sheet for every operation process, understanding the causes of the risks and the current risk management system. A risk map is used to measure the frequency with which a risk occurs and the extent of its impact is categorized.

In particular, we are striving to reduce risks that are categorized as “risks that needs to be managed” by setting up management systems that go beyond the previous operations management.

Furthermore, we manage market and liquidity risks by limiting them depending on their nature. This is done by determining the amount of the risks fluctuation and their maximum value, while selecting business partners in accordance with internal rating standards.

Market Risk

The risk of loss due to improper management or management standards relating to market transactions (procurement, investment, and investment consignment) and ALM operations is categorized and managed as market risk.

Specific risk management is as follows:

○ALM risk management

ALM risk is managed by setting management standards for: the maturities allocation of new investment funds; and the amount of fluctuation in postal savings for fund procurement, in order to ensure compliance with standards set in ALM policy.

○Credit risk management

When investing in domestic bonds, foreign bonds and short-term investments, credit risk is managed by setting criteria for the type of financial instruments that can be bought, the maximum amount that can be held for each issuing body, as well as sales criteria, using rates based on internal rating standards.

○Management of investment consignment risk

The risk associated with investment consignment (single-managed money trust, etc.) is managed by using internal rating standards to set consignee standards and the maximum tracking error.

Liquidity Risk

This is a risk that could result in losses due to difficulties in securing the necessary funds for fund settlements and not being able to repay savings deposits because of improper management or management standards for financing and fund arrangements. Liquidity risk is managed by setting criteria to ensure that the necessary funds for fund settlements can be secured for postal savings funds, postal transfer funds and savings surplus.

System Risk

This risk results in losses due to failures of computer systems, unauthorized use of the systems, and the like, because of improper management or management standards for planning, developing and operating such systems, consigning systems, and security.

Administration Risk

This risk results in losses due to improper management or management standards for administration work and administration consignment.

3. Risk Management in Postal Life Insurance Business

The Postal Life Insurance Service is entrusted with the important funds contributed by our customers in order to provide means of financial security and offer assistance for policyholders in the event of an emergency.

While the management environment for Postal Life Insurance is changing a great deal, appropriate risk management has become even more important to maintain sound business management in the future and so that customers may benefit from Kampo products and services with a safe confidence.

In consideration of such a situation, the Postal Life Insurance Service recognizes effective risk management in accordance with risk characteristics as an important management issue, and manages risks in accordance with “Postal Life Insurance’s Basic Policy for Risk Management,” which stipulates the basic functions, including the management system and management methods.

(1) RISK MANAGEMENT SYSTEM

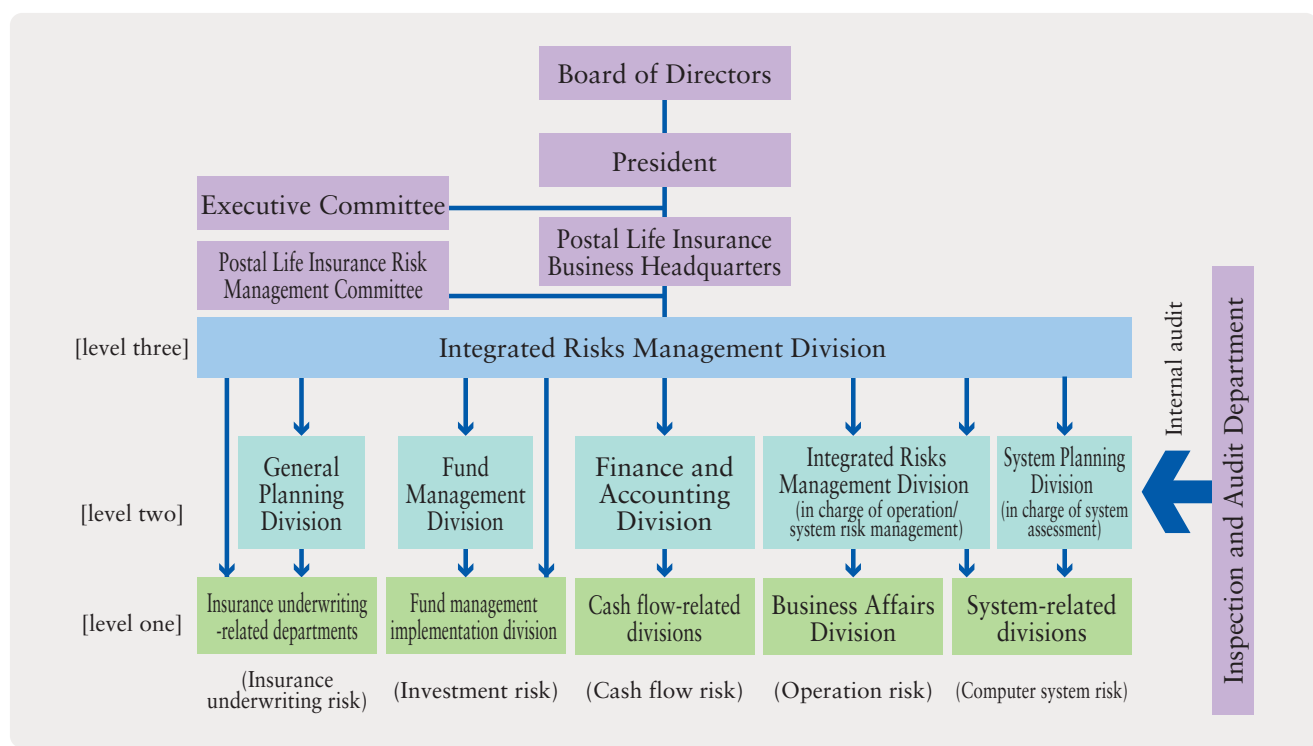
The Postal Life Insurance Business identifies its business risks in an exhaustive way and manages these risks based on their degree of importance.

- (1) The Business Affairs Division is divided into the Service Division (level one), which pursues profits, and the Business Planning Division (level two), which provides support and management, and these two divisions work together to manage risks through a system of checks and balances.
- (2) The Integrated Risk Management Division (level three) was established to be independent of the Business Affairs Division and manage risk in a unified and comprehensive manner. (Responsibilities are partially separated, so that the Integrated Risks Management Division (in charge of operation/system risk management) carries out the level two function for operation risk, while the Integrated Risks Management Division (in charge of operation/system risk management) and the System Planning Division (in charge of system assessment) carry out the level two function for system risk.)

This multi-layered risk management system ensures business management’s soundness.

Risk related matters are reported and discussed monthly at the Postal Life Insurance Risk Management Committee, comprising senior officials of the Postal Life Insurance Business. In addition, the risk management status is regularly reported to the Board of Directors and the Executive Committee.

This risk management system is audited by the Inspection and Audit Department, independent of the Postal Life Insurance Business, to further enhance the internal check function through check of the appropriateness and effectiveness of the system.



(2) TYPES AND CONTENT OF MAJOR RISKS

The Postal Life Insurance Business classifies and defines the types and content of risks it faces as follows, establishes management systems, regulations, etc. in accordance with risk characteristics, and implements various efforts for proper risk management.

Risk	Definition
Insurance underwriting risk	Risk that profits will deteriorate due to deviation from incidence rates of insured events, investment returns and business expenses at the time of setting the insurance premiums
Investment risk	Risk of fluctuations in investment returns or assessed amounts of assets (including off-balance sheet assets) due to changes in the market environment
Cash flow risk	Risk of shortages of available cash due to sudden deterioration in financing resulting from increases in policy cancellations
Operation risk	Risk of incurring loss due to incidents, unlawful actions or negligence in the performance of work by executives or employees
Computer system risk	System risks resulting in losses due to failures of information systems, unauthorized use of them, and the like

(3) EFFORTS TO ADDRESS VARIOUS TYPES OF RISK

(1) Insurance Underwriting Risk

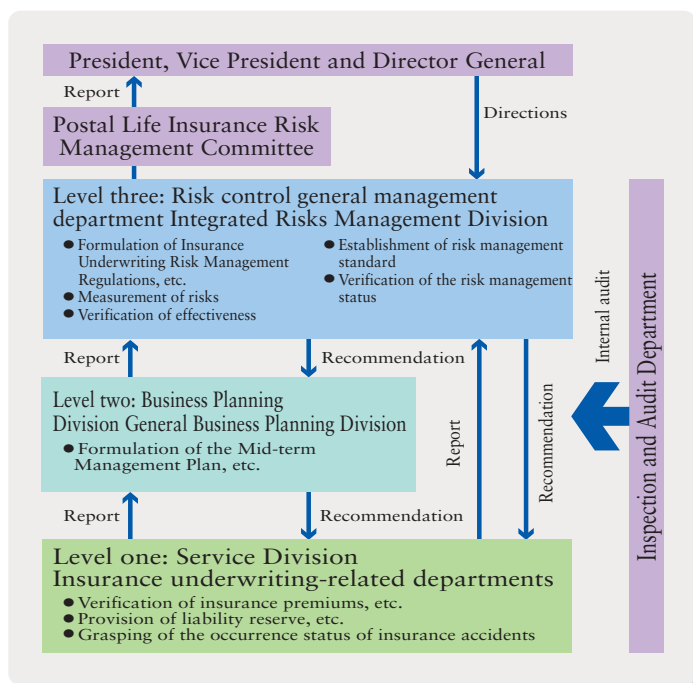
Life insurance contracts commit the Postal Life Insurance Service to contracts which cover the customer's risk of death, illness and injury for long periods of several decades. This means that, when underwriting insurance contracts, we must accurately ascertain the types of risk which might occur and manage the risks accordingly.

With regard to the management of insurance underwriting risk, while reporting and recommendation systems between the levels are maintained, the Service Division, or level one, implements self-management on verification of insurance premiums, etc., provision for responsible reserves and others, grasping of the occurrence status of insurance accidents, and the like, and the Business Planning Division, or level two, has a structure to discuss, as necessary, reviews of insurance premiums and the Mid-term Management Plan based on reports from level one.

The Integrated Risk Management Division, or level three, measures risks based on the insured event occurrence rate, market trends, business expenses, etc. and verifies and reports the risk management status at level two to the Postal Life Insurance Risk Management Committee, etc.

Thus, we manage insurance underwriting risks by maintaining mutual check functions between each department through a multi-layered risk management and by properly setting insurance premiums and putting aside necessary reserve funds.

■ Management System for Insurance Underwriting Risk



(2) Investment Risk

We focus on the safety and certainty in managing the funds entrusted to us by our customers under life insurance contracts to provide for payment of insurance money, etc. in the future. However, risk of incurring unexpected losses due to changes in the market environment cannot be denied. In the Postal Life Insurance Business, we pay maximum attention to the management of investment risk, so that customers can utilize postal insurance without anxiety.

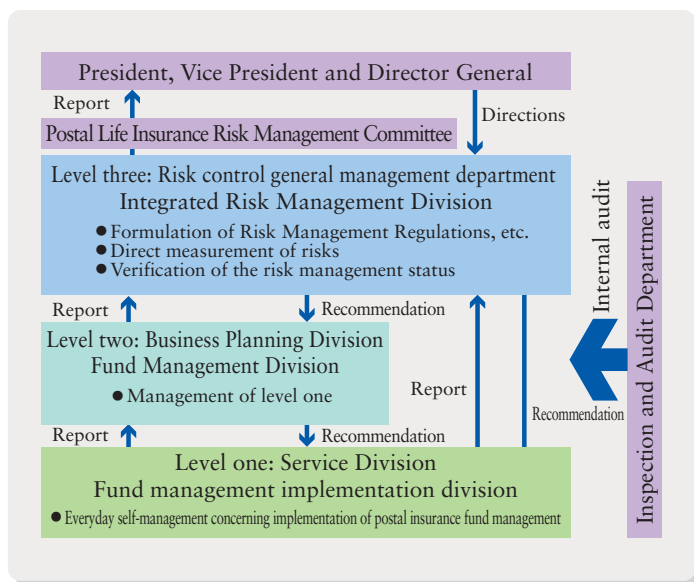
With regard to organizational systems, we consider that securing of mutual check between divisions is important. As for the risk management system for Postal Life Insurance, we adopt a multi-layered risk management system, comprising the Service Division, or level one, the Business Planning Division, or level two, and the Integrated Risks Management Division, or level three, which is independent of level one and level two. The Service Division conducts everyday self-management concerning the implementation of management of

postal life insurance funds, while the Business Planning Division manages the progress, etc. in the management plan based on the reports from level one. The Integrated Risks Management Division directly measures risks, and verifies and reports the risk management status of level one and level two to the Postal Life Insurance Risk Management Committee. Thus, risks are managed rigorously.

Investment risks are classified into market risk, credit risk and market liquidity risk, and managed accordingly. Some Kampo funds are entrusted to investment banks and investment consultants, and the Postal Life Insurance Service also ascertains the investment risk of these entrusted funds and manages the investment risk in a unified manner.

Derivatives trading enables trading for large amounts using only small amounts of capital with the leverage and can also result in profits as well as unexpected losses. We only engage in derivatives trading for hedging purposes and derivatives are not involved in speculative trading.

■ Management System for Investment Risk

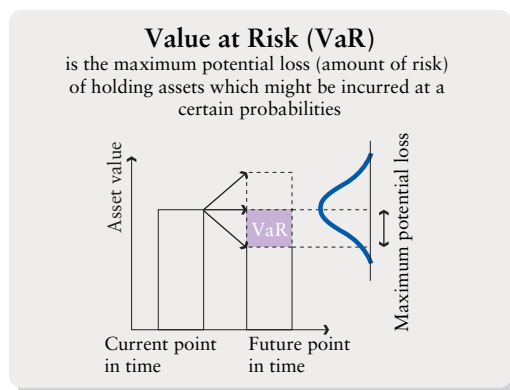


1) Market Risk

Market risk is the risk of fluctuations in asset valuation amounts or investment returns due to changes in interest rates, stock prices and foreign exchange rates.

As for managing market risk, we use Value at Risk (VaR) model to control market risk from different investments such as stocks and bonds utilizing standardized indices in order to make market risk confined within certain limits.

While VaR can easily be utilized to grasp risks in an integrated way, it merely indicates risk amount under ordinary market environment, which is a disadvantage of VaR. To supplement this disadvantage, we formulate harsh market environments, including unexpectedly sharp declines in quotations, and simulate the amount of losses (through implementation of stress tests), thereby recognizing risks that cannot be grasped by VaR.



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(Reference) Estimated amount of risks (sensitivities) from market fluctuations (interest rates, share prices, foreign exchange)

End of March 2007

Factor	Asset	Balance	Sensitivity	
Interest rates	Bonds held to maturity	27 trillion yen	+ 0.1%	- 161.0 billion yen
	Bonds to cover premium reserves	47 trillion yen	+ 0.1%	- 243.0 billion yen
	Other (balance sheet)	12 trillion yen	+ 0.1%	- 43.0 billion yen
Foreign exchange	Foreign currency-denominated bonds (balance sheet)	4 trillion yen	10 yen appreciation	- 392.0 billion yen
	Foreign stocks (balance sheet)	0 trillion yen	10 yen appreciation	- 41.0 billion yen
Share prices	Domestic stocks (balance sheet)	3 trillion yen	- 1,000 yen	- 228.0 billion yen

Note 1: Bonds held to maturity and bonds to cover premium reserves are not evaluated at market value and are not reflected on the balance sheet.

Note 2: The balance and sensitivity of figures of the "Interest rates-other" include foreign currency-denominated bonds.

Note 3: Sensitivity of the "Foreign exchange" is calculated on the assumption that all currencies fluctuate at the same rate as the US dollar.

Note 4: Sensitivity of the "Share prices-domestic stocks" indicates the loss posted in case of the Nikkei Average fall below 1,000 yen.

2) Credit Risk

Credit risk is the risk of fluctuations in asset valuation amounts or investment returns due to the deterioration of debtors' financial situations.

The Postal Life Insurance Business mainly manages bonds, deposits, etc., since it is allowed to extend loans only to regional public organizations under the Japan Postal Public Corporation Law. When managing credit risks, we set standards for unqualified debtors, referring to the ratings graded by ratings agencies. We also set credit line for each debtor.

We figure out the risk represented by debtors, adding up each individual company's bonds, deposits and stocks so that credit risk is not concentrated on a particular company and Japan Post would not be at risk of huge losses.

3) Market Liquidity Risk

Market liquidity risk is the risk of fluctuations in asset valuation amounts or investment returns due to unavoidable transactions at remarkably disadvantageous prices, or not being able to perform transactions in the market due to deterioration of market situations.

As for managing market liquidity risk, we set limits for issue holdings to manage risk in accordance with an analysis of the market's trading conditions. This ensures a certain degree of market liquidity.

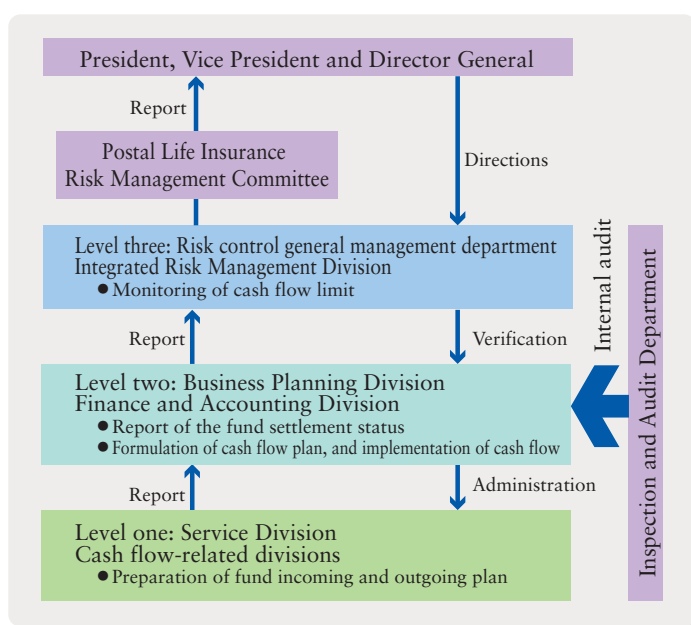
(3) Cash Flow Risk

For the management of the life insurance business, it is necessary to receive and pay funds from and to customers and business partners, including payment of claims, etc. and investment of funds. When trouble is caused to fund settlement when we receive and pay funds, we would not only cause trouble to the persons concerned but also be unable to operate the business itself.

Against this backdrop, Postal Life Insurance sets reserve amounts for incoming and outgoing insurance premiums and claims and incoming and outgoing investment funds for the fund management in the Postal Life Insurance Business, so that such incoming and outgoing of funds would not be hindered. Securing these reserves ensures an appropriate management of cash flow risk.

To manage this risk, Postal Life Insurance defines classifications according to the tightness of financing, and it sets, manages and monitors the reserve limits for each of these classifications so that no impediments occur to fund management.

■ Management System for Cash Flow Risk

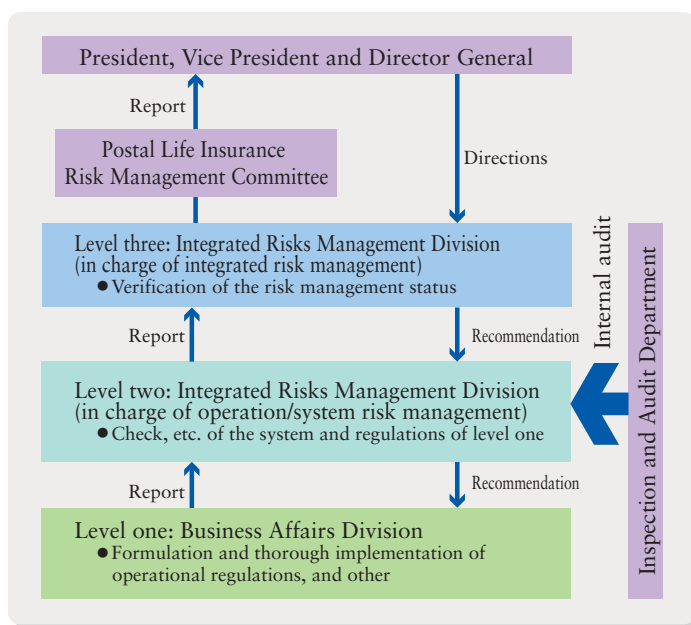


(4) Operation Risk

If accidents in handling business operations, etc. occur, we would not only put customers to much trouble, but also lose customers' trust in Postal Life Insurance. Under such circumstances, the Business Affairs Division, or level one, ascertains incidents that have occurred in the past or that could be accrued, and establishes office regulations to ensure appropriate business transactions, and also strives to raise awareness and educate employees. In addition, the Integrated Risks Management Division (in charge of operation/system risk management), or level two, examines the operation risk management system of level one and conducts surveys as necessary in the event that problems do occur. This system works as mutual checks and balances.

The Integrated Risks Management Division (in charge of integrated risk management), or level three, verifies the effectiveness of risk management, and regularly reports the management status of operation risks to the Postal Life Insurance Risk Management Committee, jointly with level two.

■ Management System for Operation Risk



(5) Computer System Risk

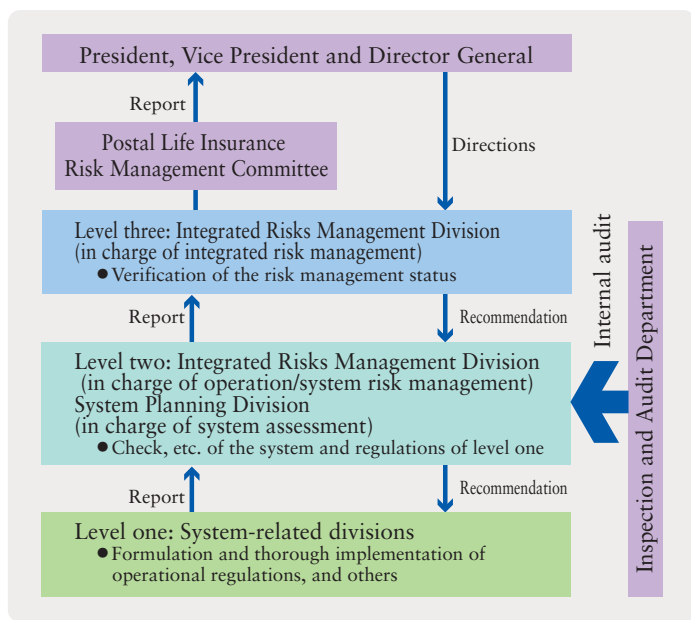
Currently, a large part of business operations is dependent on information systems. When a system goes down or other major troubles occur, we would put customers to much trouble and lose customers' trust in postal life insurance just as when operation risk is revealed. Against this backdrop, we have set up two main computer centers with electronic computing systems, each in eastern and western Japan. We have also formulated a manual with guidelines on responding to severe interruptions in our computing system. Thus we have established a structure enabling a quick response to system risks.

Furthermore, we carry out a variety of security measures and strive to thoroughly secure information assets, based on the Japan Post's Policy on Information Security.

At the same time, the Integrated Risks Management Division (in charge of operation/system risk management) and the System Planning Division (in charge of system assessment), which are level two, verify whether system management is properly implemented by system-related divisions, or level one, and strive to reduce system risks using a system of checks and balances.

The Integrated Risk Management Division (in charge of integrated risk management), or level three, verifies the effectiveness of risk management, and regularly reports the management status of computer system risks to the Postal Life Insurance Risk Management Committee, jointly with level two.

■ Management System for Computer System Risk



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4. Risk Management in Postal Business

The Postal Business endeavors to prevent accidents and irregularities to ensure that the important letters and parcels customers entrust to us are delivered safely, and toward this goal, has also established a reporting system. If an accident should occur, we endeavor to ensure a speedy solution to the situation.

(1) RISK MANAGEMENT SYSTEM

We secure a system of checks and balances within the Postal Business Headquarters, while all divisions and offices within the headquarters manage risks involved in the operations of which they are in charge.

The general manager of the Operations Supervision Division is responsible for comprehensive coordination, such as drawing up of risk management conditions at the Postal Business Headquarters.

(2) RISK MANAGEMENT METHODS

In order to manage risks effectively and in line with its characteristics, the Postal Service manages risks in accordance with the “Postal Service’s Basic Policy for Risk Management,” which stipulates the basic functions of the management system.

All divisions and offices within the Postal Business Headquarters ascertain the risks involved in the operations of which they are in charge, evaluate these risks, and then devise necessary countermeasures based on their assessment.

The general manager of the Operations Supervision Division requests reports on risk management conditions in all divisions and offices as needed to ensure the appropriateness and effectiveness of risk management. After examining the results, the general manager provides guidance on improvements as necessary.

■ Management Classification of Risks Involved in Postal Service

Risk	Definition
Operation risk	Risk of incurring loss due to improper handling of business operations, negligence in the performance of work by employees or accidents, unlawful actions, etc. caused by employees
Computer system risk	System risk resulting in losses due to failure of information systems, unauthorized use of them, and the like

9. Information Security

Currently, many customers are using Japan Post’s Postal, Postal Savings and Postal Life Insurance Services, and hence, we deal with huge amounts of information about these customers. We consider that such information should be strictly managed and handled. We also believe that the services they use should be safe. In order to offer services that customers can have confidence in, we are striving to pay special attention to information security, which we consider important. For this, we will safeguard customer information against unauthorized access, loss or accidents and disasters, and we will safely manage this information. To achieve this, we will focus on the following matters:

1. To promote information security, we will formulate Japan Post’s Policy on Information Security and carry out this policy.
2. We will continually deepen our understanding of the importance of information security and enhance our awareness of such security, through continuous education of information security.
3. We will maintain and heighten information security, by reviewing and improving necessary measures through continuous inspections.

10. Personal Information Protection Efforts

Japan Post has established “Policy on the Handling of Personal Data” (Privacy Statement) and strictly manages personal data under this policy.

The policy is made public in Home of Japan Post on the internet.

Policy on the Handling of Personal Data

Japan Post recognizes that the protection of personal data is an important element in the provision of high-quality services that meet with the full satisfaction of our customers. It has therefore implemented the following personal data protection policy.

- 1. Collection of personal data**
To conduct transactions with customers in a reliable way, Japan Post only collects the personal data from customers that is necessary to provide excellent products and services. This data is collected and stored in a proper and secure manner.
- 2. Clear indication of how the data will be used**
Japan Post clearly indicates the purpose for which personal data is collected in written form, (except in simple cases when the purpose is obvious), and uses the data only within the scope of the stated purpose.
- 3. Protection of personal data**
Japan Post assigns an official at each post office, Postal Savings Operations Center, and Postal Life Insurance Operations Center, as well as at all other Japan Post organizations, to be responsible for the handling of customers’ personal data at that site. The official is charged with implementing appropriate measures to prevent unauthorized access to the personal data, or the destruction, tampering with, or leaking of the data.
- 4. Accuracy of personal data**
Japan Post devises appropriate measures to ensure that customers’ personal data is accurate and up-to-date within the scope of the purpose of its use. In addition, to protect the interests of customers, Japan Post responds to customers’ requests to view and/or revise their own personal data that is held by Japan Post.
- 5. Provision of personal data to third parties**
Japan Post only provides personal data to a third party in one of the following cases, and only to the extent necessary to ensure the sound operation of Japan Post:
 - When the customer him/herself agrees to the information being provided
 - When Japan Post is compelled to provide the personal data by law
 - When Japan Post commissions services from a third party and when a confidentiality agreement has been concluded with that party to protect customers’ personal data.
- 6. Observance of laws and regulations**
To ensure the thorough protection of personal data, Japan Post observes relevant national laws and regulations, as well as its own internal rules, and takes every precaution in the handling of personal data.
- 7. Ongoing improvements**
To maintain and improve the proper protection of personal data, Japan Post reviews its internal rules on an ongoing basis and always strives to maintain the best possible system of personal data protection.

1 1. Efforts of JPS

1. Postal Service Business

(1) OUR PAST EFFORTS

Japan Post has been striving to improve productivity and security, provide quality services to customers and enable employees to work with satisfaction by reviewing the entire process of operations, from the receipt, collection of mail right through to its transport and delivery, and has also made efforts to eliminate waste, irregularities and irrationalities from the system. To achieve this, we have applied the JPS to Koshigaya Post Office in Saitama Prefecture since January 2003.

We divided 1,000 post offices (ordinary post offices) nationwide into groups in fiscal 2004, and focused on the following measures:

- 1) Thoroughly implementing a practice of tidying and cleaning, which is the basis of creating a comfortable, safe and efficient working environment;
- 2) Thoroughly implementing the practice of having standardized work, under which everyone handles a “set amount of work” “within a set amount of time” “according to a set operation process”; and
- 3) Clarifying the overall workload and time required by establishing on “original unit” through division of standardized work into a “set amount of work” – 15 minutes – as well as standardizing working processes and reviewing staff assignment to assign staffers corresponding to the workload.

To further push forward with our efforts, we selected 112 regional post offices as core offices and intensively implemented improvement measures in fiscal 2005. Neighboring post offices also took part in the intensive improvement, and enhancement was carried out at these post offices based on the know-how acquired through the intensive improvement.

(2) EFFORTS IN FISCAL 2006

In fiscal 2006, we continued to implement intensive improvements at core post offices, eliminating surplus staff through correction of the unevenness, aimed at assigning staff corresponding to the daily workload, and changes in working shift, and we also worked on the following measures:

- 1) Further clarifying the progress/delay in delivery work and utilizing the clarification in daily work assistance directions;
- 2) Improving efficiency of delivery work, which is highly dependent on human resources, by implementing regular training to workers in route composition, etc.; and
- 3) Improving efficiency of collection work through review of working hour zones and collection courses in accordance with the peak time zone of acceptance volume and the number of collection points.

As a result, we have produced successes in reducing personnel expenses, achieving a 5.1% year-on-year decrease (target: 5.0% decrease) in working hours as of the end of March 2007.

Improvement example in the Collection, Delivery and Marketing Section



○ Group meeting of the Collection, Delivery and Marketing Section, utilizing the work progress management board

- The progress status of work by delivery district indicated on the board
- The progress status in each delivery district checked by all group members before starting delivery in the afternoon, and utilized in work directions, including assistance

(3) FUTURE EFFORTS

In fiscal 2007, we will strive to steadily improve productivity (reduction of cost) by following up on improvement measures at core post offices, which are bases for regional improvement, expanding the measures laterally and making improvement activities take root among employees through fostering of personnel in charge of improvement and block improvement support.

2. Postal Savings Business

In the Postal Saving Business, we constantly strive to improve post office counters by applying the production system used by Toyota Motor Corp. as part of JPS. To this end, our Postal Savings employees are working tirelessly to improve customer services, business quality and productivity by examining the convenience of customer lobbies and the current administrative processes at their workplace and using creativity and ingenuity to make continuing efforts to improve operations at post office counters as a whole.

Employees at Postal Savings Operations Centers are also working on JPS in a similar way. They are improving the efficiency of operations by reviewing work processing methods and through other measures.

By repeatedly implementing the above efforts, we will create post office counters that can be utilized easily by customers and revitalize the workplace to make it a place that provides job satisfaction.

SPECIFIC EFFORTS AT POST OFFICES

Improvements of the customer lobby

Review of the way forms are placed on entry counters has made it possible to choose the correct form by the “number” of the form.

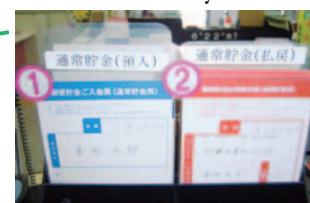
Before improvement



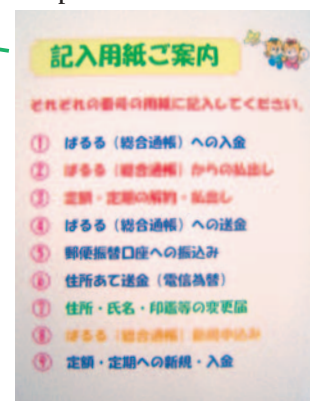
After improvement



- Forms stored by number

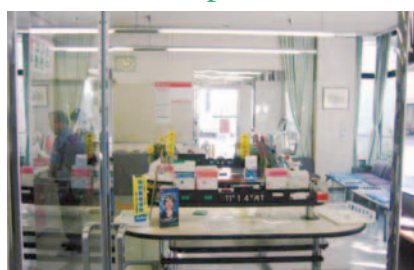


- Explanation of each number



Review of the arrangement of objects such as entry counters has made it easier for customers to utilize offices.

Before improvement



After improvement



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Improvement within offices

Together with changes in the layout of offices to ensure better queueing and other measures, classification of drawers to store various forms by color and setting of storage space according to the frequency of use mean customers now spend less time locating the correct form.

Before improvement



After improvement



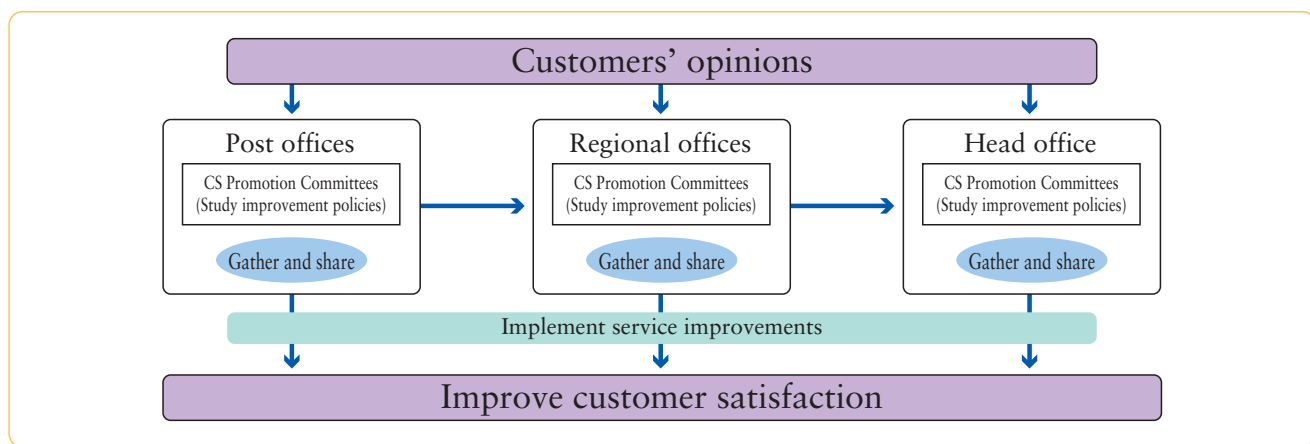
3. Postal Life Insurance Business

In the Postal Life Insurance Business, as part of JPS (efforts to improve productivity by applying the production system of Toyota Motor Corp.) at post offices and Postal Life Insurance Operations Centers, each employee is making efforts to improve productivity as well as enhance and strengthen the business management base by examining workplace administrative processes and operating environments and using creativity and ingenuity to make continuing efforts for improvement and reform.

12. Improving Customer Satisfaction

As one of the most important issues in the management of the public corporation, Japan Post has established CS Promotion Committees at post offices, regional offices and the Japan Post headquarters to urgently gather opinions and comments from customers, and from the employees who have the most direct contact with customers, and to quickly reflect those opinions and comments in improved services and operations.

In addition to local post offices, which respond directly to customer opinions and demands, Japan Post has established assistance and consultation windows, and customers can also make comments on the phone or via e-mail. Basically, these centers are intended to respond to customer concerns regarding each respective institution, and to refer insoluble problems to the headquarters CS Promotion Committees for investigation and discussion, to ensure positive and swift improvement in customer services. Japan Post actively listens to customers' opinions in order to provide excellent service as a professional in its line of business.



13. Using Surplus Space in Post Offices

To improve convenience for post office customers, Japan Post is actively leasing surplus space in post offices and other places.

1. Leasing of Space in Post Office Buildings

■ Example of surplus post office space being leased to private-sector businesses:

Lease Period	Details of Lease Participating	Post Offices
May 2003	Gallery, concert hall	Shimonoseki Nabe-cho Post Office
August 2003	Convenience store (Lawson)	Yoyogi Post Office Aobadai Post Office
October 2003	Tourist goods sales counter	Kakunodate Post Office
November 2003	Stationery sales counter	Nagano Central Post Office
November 2003	Japanese confectionery sales counter	Matto Post Office
August 2004	Convenience store (Lawson)	Japan Post Hokkaido Office
October 2004	Convenience store (am/pm)	Hongo Post Office
September 2005	Travel agency (JTB)	Shibuya Post Office
May 2006	Convenience store (Lawson)	Aoba Post Office
December 2006	Convenience store (Lawson)	Hiroshima-Higashi Post Office



2. Development of Soft Drink Vending Machines at Post Offices

Soft drink vending machines have been installed in post office lobbies and other places since March 2004, in tie-ups with many different manufacturers.

Vending Machine Features:

- A good mixture of products selected without any bias toward any particular manufacturers, a diverse choice offered to customers
- A unique color design (five colors) based on a traditional Japanese style
- Cutting-edge, environmentally friendly, and energy-saving vending machines are adopted
- A space below the drinks window to attach post office notices, and the like



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14. Partnerships with Private Sector Operators

1. Alliances with Convenience Stores

The Post Office has formed alliances with convenience stores, and placed post boxes inside the stores for the collection of postal items, in addition to using the convenience stores as pick-up points for Yu-Pack items.

List of Tie-ups

Launch date	Overview of alliances	Partners
January 2003	<ul style="list-style-type: none"> Postboxes established in all Lawson stores nationwide (about 7,700 outlets) 	Lawson, Inc.
December 2003	<ul style="list-style-type: none"> Post boxes established in Circle K and Sunkus stores situated in Aichi, Gifu, Shizuoka and Mie Prefectures (about 1,400 outlets) 	Circle K Sunkus Co., Ltd. ^(Note 1)
April 2004	<ul style="list-style-type: none"> Postboxes established in Circle K and Sunkus stores situated in prefectures other than Aichi, Gifu, Shizuoka and Mie Prefectures (about 3,300 outlets) 	Circle K Sunkus Co., Ltd. ^(Note 1)
June 2004 ^(Note 2)	<ul style="list-style-type: none"> Pilot program for Yu-Pack collection introduced in some directly operated Daily Yamazaki stores (16 outlets in Tokyo) and some directly operated am/pm stores (10 outlets in Tokyo) Postboxes also established in those stores 	Daily Yamazaki Co., Ltd. am/pm Japan Co., Ltd.
November 2004	<ul style="list-style-type: none"> Yu-Pack collection service introduced in Lawson stores nationwide (about 7,900 outlets) 	Lawson, Inc.
June 2005	<ul style="list-style-type: none"> Yu-Pack collection service introduced in Ministop stores nationwide (about 1,700 outlets), Daily Yamazaki stores in Tokyo (about 200 outlets) and am/pm stores in Tokyo (about 700 outlets) Postboxes established in Ministop stores nationwide and Daily Yamazaki stores nationwide ^(Note 3) 	Ministop Co., Ltd. Daily Yamazaki Co., Ltd. am/pm Japan Co., Ltd.
July 2005	<ul style="list-style-type: none"> Postboxes installed in am/pm stores situated in Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo and Kanagawa Prefectures (about 850 outlets)^(Note 3) 	am/pm Japan Co., Ltd.
September 2005	<ul style="list-style-type: none"> Yu-Pack collection service introduced in Daily Yamazaki stores located in prefectures other than Tokyo (about 1,700 outlets) and am/pm stores located in prefectures other than Tokyo (about 700 outlets) 	Daily Yamazaki Co., Ltd. am/pm Japan Co., Ltd.
November 2005	<ul style="list-style-type: none"> Yu-Pack collection service introduced in Circle K and Sunkus stores nationwide (about 6,300 outlets) 	Circle K Sunkus Co., Ltd.
March 2006	<ul style="list-style-type: none"> Yu-Pack collection service introduced in Seicomart stores nationwide (about 990 outlets) 	Seicomart Company, Ltd.

Note 1: C&S Co., Ltd. at the time of launch.

Note 2: Started when the store had been ready.

Note 3: Excludes the stores which have already a post box in the same site.

2. Tie-up with Oriental Land Co., Ltd.

Under a business alliance formed between Japan Post and Oriental Land Co., Ltd. in December 2003, Japan Post took the following activities.

Oriental Land Co., Ltd. launched Kodomo Post House for the sale of stamps and postcards, acceptance of Yu-Pack parcels, and sale of original goods for children in May 2004.



15. Environmental Efforts

When Japan Post was founded, it established The Japan Post Declaration on the Environment (please see p.53), representing Japan Post's commitment to run its operations in an environmentally-friendly way. In addition, Japan Post has put into practice its plans and specific measures, thus translating The Japan Post Declaration on the principles and policies of Environment into reality.

1. The Japan Post's Eco Plan (The Japan Post's Medium-term Plan for the Environment)

The Japan Post's Eco Plan, "The Japan Post's Medium-term Plan for the Environment" is a medium-term plan for the three-year period from fiscal 2004 through fiscal 2006 and incorporates targets and activities to achieve its environmental measures. To achieve the goals of the plan, we have formulated and worked on "Eco Action Plan (Environmental Action Plan)," a single-year plan for numerical targets and measures for reducing electricity consumption, photocopier paper and the use of water, in each fiscal year, and have strived to achieve the targets. The content of the Japan Post's Eco Plan, the final results at the end of fiscal 2006 and major measures implemented are as follows.

(1) REDUCTION IN ENVIRONMENTAL BURDENS (OVERALL)

Area	Targets to achieve	Final results/Measures implemented and others
(Overall)	Cut CO ₂ emissions in fiscal 2006 by 2.2% compared to fiscal 2002 levels	Cut CO ₂ emissions by 3.4% compared to fiscal 2002 levels (Note)

Note: Estimated figure based on the sampling research.

(2) EFFORTS TO DECREASE ENVIRONMENTAL BURDENS

Area	Targets (points to be achieved over three years to achieve)	Final results/Measures implemented and others
1. Energy and resource conservation	<p>Conservation of energy, such as electricity and gas, at facilities</p> <ul style="list-style-type: none"> Cut electricity consumption by 6% (relative to fiscal 2002 levels [same below]) Reduce fuel consumption by 8% Conserve <p>Resources such as paper and water</p> <ul style="list-style-type: none"> Reduce photocopier paper usage (per employee) by 25% Reduce water usage by 5% 	<p>[Final results] (Note)</p> <ul style="list-style-type: none"> Cut electricity consumption by 6.4% (relative to fiscal 2002 levels [same below]) Reduce fuel consumption by 11.5% Reduce photocopier paper usage (per employee) by 13.5% Reduce water usage by 18.1% <p>[Measures implemented]</p> <ul style="list-style-type: none"> Ensure promotion of energy conservation at 683 sites that have undergone energy conservation assessment
2. Upgrading post offices	<p>Set up post offices that are environmentally friendly (Eco Post Offices) CO₂ emissions per unit area</p> <ul style="list-style-type: none"> Cut emissions by 13% when building new post offices Cut emissions by 6% when making large renovations 	<p>CO₂ emissions per unit area</p> <ul style="list-style-type: none"> Cut emissions by 27% when building new post offices Cut emissions by 15% when making large renovations
3. Commodity procurement	<p>Targets for specified procurement goods referred to in the Law on Promoting Green Purchasing</p> <ul style="list-style-type: none"> 100% target for all commodities 	<p>[Measures implemented and others]</p> <ul style="list-style-type: none"> Introduce procurement by catalog Ensure to maintain appropriate inventories of goods and other items Reduce amount of resources used in packaging goods
4. Logistics	<p>Encouragement of environment-friendly distribution by introducing low-emission vehicles and shifting to an improved distribution system</p> <ul style="list-style-type: none"> (Reduce CO₂ emissions by 4.1% for each ton of postal items) (Cut total nitric oxide (NOx) emissions by 6.3% from four-wheel vehicles owned by Japan Post) 	<p>[Measures implemented and others]</p> <ul style="list-style-type: none"> Reduce CO₂ emissions by 23.9% for each ton of postal items Cut total nitric oxide (NOx) emissions by 6.2% from four-wheel vehicles Switch our 308 vehicles to low-fuel consumption and ultra low-emission (☆☆☆) vehicles Introduce 58 two-ton hybrid vehicles Cut 1,911 two-wheeled motor vehicles
5. Reduction in waste matter	<p>Promote the 3Rs ("Recycle, Reuse and Reduce") and cut back on waste matter</p>	<p>[Measures implemented and others]</p> <ul style="list-style-type: none"> Promote active 3Rs at post offices, and other places Recycle all postcards and stamps exchanged at post offices Cut garbage emissions at Policyholder Welfare Facilities by 20.8%
6. Social contributions made in environmental area	<p>Encourage environmental conservation activities in local communities</p>	<p>[Measures implemented and others]</p> <ul style="list-style-type: none"> Implement tree planting, voluntary cleaning and other activities at post offices nationwide mainly during the environmental month

Note: Estimated figure based on the sampling research.

(3) FOUNDATION OF PROMOTION OF ENVIRONMENTAL POLICIES

Area	Targets to achieve	Final results/Measures implemented and others
1. Promotional system	Implement regular environmental conservation patrols and self-checks to establish and upgrade environmental measures at the Japan Post head quarters, regional offices and post offices	[Results of environmental conservation patrol in FY2006] <ul style="list-style-type: none"> • Implement 76.6% practice of regular (four times a year) environmental conservation patrols • Check 81.2% of all the check items [Results of Self-check in FY2006] <ul style="list-style-type: none"> • Implement 76.2% practice of regular (two times a year) self-check • 84.4% employees participation in these self-checks
	Build and operate the environmental management system (EMS) to autonomously deal with environmental measures on a continuous basis <ul style="list-style-type: none"> • Attain ISO 14001 certification at model post offices • Prepare manual based on the environmental management system (EMS) created at model post offices and expand to all post offices 	[Measures implemented and others] <ul style="list-style-type: none"> • Attain ISO 14001 certification at 77 post offices nationwide: including regional sorting offices and sorting offices (March 2007) • Expand the penetration and establishment of the Japan Post environmental management system (EMS) by implementing specific efforts such as clarifying role sharing
2. Education and training	Promotion of training in environmental matters for employees and heightened awareness of environmental matters in the workplace	[Measures implemented and others] <ul style="list-style-type: none"> • Addition of environmental education to training topics • Publish an environmental article in JAPAN POST bulletin "Yusei" • Use Japan Post's "Environmental Grand Prize" to pay tribute to post offices and showcase especially praiseworthy examples • Create posters and videos for training for employees
3. Public relations	Actively disseminate Japan Post's environmental efforts through the environmental report and website	[Measures implemented and others] <ul style="list-style-type: none"> • Prepare "Environmental Report 2006", release it on the website and make it available at post office counters • Create environmental posters for public relations with customers • Present original logo "Hybrid Vehicle" upon introduction of hybrid vehicles
4. Understanding environmental burdens and so on	Build a system to count data on environmental burden and so on Quantitatively understand the status of the environmental burden and so on of Japan Post as a whole	[Measures implemented and others] <ul style="list-style-type: none"> • Build "Environmental data count system" (April 2006) and utilize it effectively to various environmental policies • Promote and manage numerical targets drawn up under The Japan Post's Eco Plan • Promote and manage progress at post offices and other facilities • Accurately fulfill obligations for governmental reporting under various laws • Assess the performance of branch offices in the terms of environmental policies • Understand basic data in preparation for the introduction of environmental accounting

(4) PROMOTION OF THE PLAN

Area	Targets to achieve	Final results, measures implemented, etc.
1. Environmental Action Plan for the fiscal year	Formulate "Environmental Action Plan" of the Japan Post as a whole, including specific measures for the said fiscal year, in order to specifically promote this plan	[Measures implemented, etc.] <ul style="list-style-type: none"> • Formulate and work on "Environmental Action Plan" in each fiscal year at each facility, including post offices
2. Progress management	Inspect and review the progress status every year at the Environmental Committee of the head office in order to steadily push forward with this plan	[Measures implemented, etc.] <ul style="list-style-type: none"> • Check the progress status of the Environmental Action Plan half-annually at the Environmental Committee, and reflect the assessment results in the Environmental Action Plan of the next fiscal year

2. Topics on Environmental Measures

(1) ATTAINMENT OF ISO14001 CERTIFICATION

In addition to 27 post offices that had already attained ISO 14001 certification, an international standard of environmental management, 50 regional post offices and postal intensive offices nationwide obtained the certification in March 2007, which brought the total of post offices with the certification to 77.

The other post offices introduced the "Japan Post environmental management system," which was standardized based on ISO 14001, and have been continuously making efforts for improvement, including reduction of environmental burdens.

(2) EQUIPPING LOW-EMISSION VEHICLES

Complying with the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities ("Green Procurement Guidelines"), Japan Post has been promoting the introduction of ecofriendly low-emission vehicles.

In fiscal 2006, Japan Post deployed 308 light four-wheel vehicles (ultra low-emission vehicles (☆☆☆)) and 5 two-ton trucks (hybrid vehicles).

(3) OPERATION OF SYSTEM TO GRASP DATA ON ENVIRONMENTAL-RELATED MEASURES

Japan Post started operations of “system to grasp data on environmental-related measures” at postal offices nationwide and such facilities as the Postal Service Training Center” and Postal Services Agency Hospitals. The system records monthly actual data such as amounts and costs of utility, including electricity, gas and water, their charges, amount of copy paper used, emissions of wastes and amount of fuel supplied to collection and delivery vehicles.

The system can grasp the emission status of environmental burdens of Japan Post as a whole by totalizing recorded data and converting them into CO₂ emissions. It is also utilized by post offices for managing the progress in their plans. Thus, the system serves as a basic system for environmental policies of Japan Post.

(4) USE OF YU-PACK FOR ITEMS COLLECTED IN HOUSEHOLD PC AND USED FIRE EXTINGUISHER RECYCLING SYSTEM

a) Household PC recycling

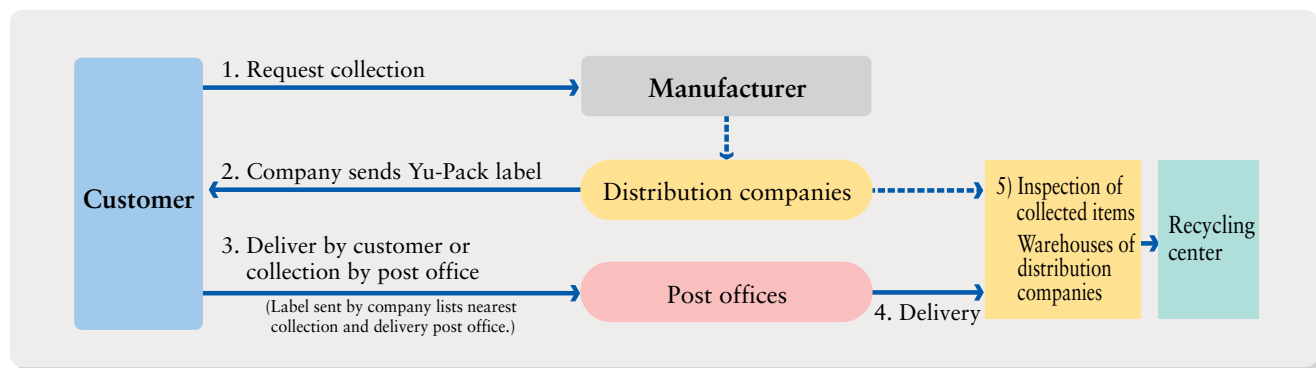
Starting from October 1, 2003, Japan Post started collecting used family PC units as Yu-Pack in cooperation with distribution companies.

Specifically, the manufacturers who are the main collectors submitted a plan concerning the collection of used home computers that was authorized by the Ministry of Environment. Post offices (Japan Post) are designated as “general waste collectors and transporters,” as specified in the Waste Management and Public Cleaning Law.

The number of used home computers we collected for recycling was about 310,000 in Fiscal 2006. (Source: PC 3R Promotion Center)

b) Household fire extinguisher recycling

Starting from October 2, 2006, Japan Post started collecting used household fire extinguishers as Yu-Pack in cooperation with distribution companies, in response to requests of customers for easier collection and reuse of used home fire extinguishers. (Collected fire extinguishers are recycled as recycled fire extinguishing agent.)



(5) CREATING OF ECO POST OFFICES

When Japan Post builds new post offices, expands existing post offices or carries out significant renovations, it will create Eco Post Offices (environment-friendly post offices) with environment-friendly technology and methods.

Odawara-Higashi Post Office (in Odawara City, Kanagawa Prefecture), completed in 2001, as an experimental office to become an Eco Post Office has cut CO₂ emissions an average of about 45% compared to post offices of an equivalent size, while its annual target is 30%.

Japan Post is shifting to Eco Post Offices, through trial operations, with a view to cutting CO₂ emissions by 20% when building new post offices and by 6% when making large renovations. A total of 208 Eco Post Offices have been completed.

208 Eco Post Office cut CO₂ emissions per floor unit per year (average) around 27% in newly built offices and around 15% in largely renovated offices.

(6) USE OF RECYCLED AND NON-WOOD PAPER FOR POSTCARDS

To help conserve forest resources and preserve the global environment, Japan Post has issued postcards made of recycled paper since 1993 for traditional summer greeting cards (Kamo-Mail), since 1996 for New Year's cards, and since 2003 for conventional postcards and reply-paid postcards.

16. Relationships with Local Communities

Japan Post is striving to live together with local communities, as a basic lifeline of social life that supports local communities. To that end, we engage in local development and business operations for regional public organizations, mainly through post offices.

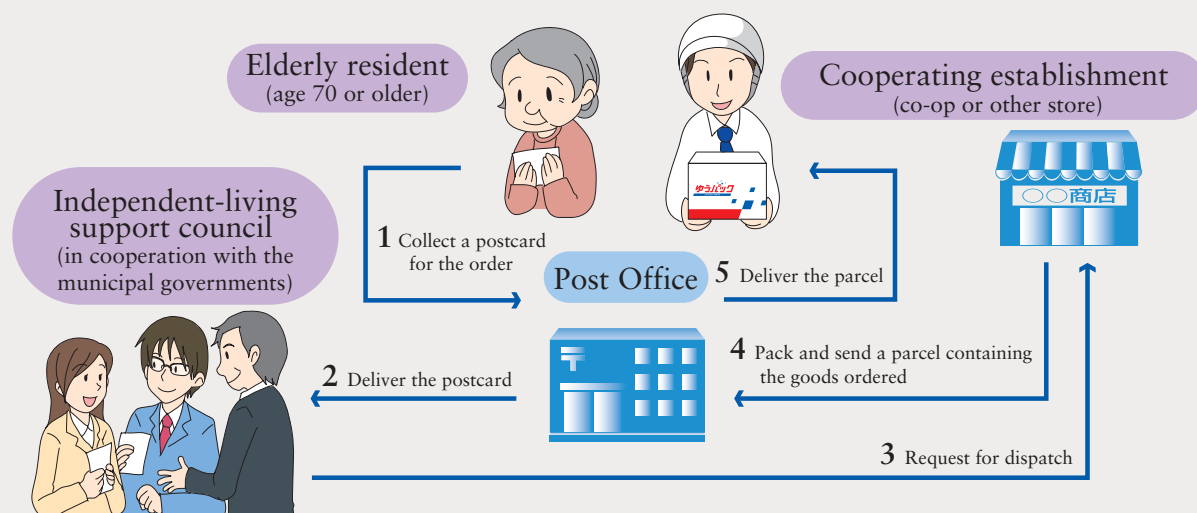
■ Main Efforts

Efforts/Service	Summary
Responsibilities to Local Governments	Post office counters are now involved in issuing identification, such as copying residence certificates, and also selling bus coupon tickets. External postal employees also provide information on the illegal disposal of waste.
Submitting Requests for Copies of Residence Cards and Other Documents	The postal system offers a service that allows the public to apply for copies of residence cards, as well as certified copies and extracts of official registers.
Furusato (Hometown) Parcels	Furusato Parcels service allows the public to select local specialties from around the country by product catalogs and leaflets at Post Offices and have them delivered directly via Yu-Pack.
Himawari Services for the Housebound Elderly	The Postal Service has been promoting a support system called Himawari Services that provides assistance related to the basic daily needs of elderly housebound individuals. The objective of this program, which is a joint effort undertaken by post offices, local governments, and such organizations as social welfare councils, is to create a society in which it is easier for elderly residents of sparsely populated areas to continue living at home.
Disaster Management Agreement with Local Authorities	Japan Post establishes cooperative relationship with local governments and calls for close reciprocal communication and cooperation under the Japan Post Disaster Management Operations Plan. (as of the end of fiscal 2006 agreements had been concluded with 1,477 municipalities)

■ Himawari Services

Under Himawari Services, postmen provide elderly people with a few words of encouragement and pick up outgoing mails on their delivery routes. In addition, postmen collect orders for daily necessities and then deliver these items. Another component of Himawari Services is the periodic distribution of cheerful messages from schoolchildren and other wellwishers. This system is in principle designed for individuals or couples who are 70 years old or above who living by their own. Launched in August 1997, the Himawari Services program was available in 151 municipalities as of March 31, 2007.

Image depicting the collection of orders for daily necessities and the delivery of these items



17. Social Contribution Activities

Japan Post is entrusted with an important mission in contributing to each individuals prosperity and the affluence of society as a whole by providing basic living services indispensable to everyday life, including postal service, postal savings and postal life insurance, to customers through post offices located from coast to coast across the country. To fulfill this mission, Japan Post is working on social contribution activities in various ways.

1. Social Welfare Contributions

Japan Post provides social welfare support in various fields, such as special services, postage discounts, exemption from postage and preferential interest rates to the disabled as well as promotion of employment of the disabled.

- Postage Discounts for the Disabled
- Free Distribution of Aotiori Postcards
- Postcards for the Visually Impaired (postcard with a semicircle cut at the left side of its right face)
- Exemption from Postage for Registered Mail Containing Charitable Donations and Remittance Charge for Businesses for the Purpose of Promoting Social Welfare.
- Issuance of New Year's Greeting Postcards and Stamps with New Year's Gifts and Charity Donations
- New Welfare Time Savings
- Nursing Care Time Savings
- Pension Delivery Service
- Various Braille Services
- Employment of the Disabled

Employment of the Disabled

Japan Post is proactively working to employ more disabled persons, hiring them for such business operations as the sorting of mail. In addition, Japan Post has been employing the mentally disabled as non-permanent employees, with 258 such challenged employees currently engaged in cleaning tasks at post offices and other facilities. Disabled employees accounted for 1.43% of the Japan Post's regular employees as of June 1, 2006, under the calculation standard established by law. Though this percentage is presently below the legally required employment rate (2.1%), Japan Post is striving to expand its employment of the disabled, so that it can achieve the prescribed rate as quickly as possible.

2. Actions in Emergency Situations

When natural disasters and other emergencies occur, Japan Post is committed to undertaking various measures, such as providing assistance to disaster-stricken areas, activities and services for relief of victims of disasters and exemption from postage and fees.

- Free Distribution of Postcards and the Like to Disaster Victims
- Exemption from Postage for Standard Mail Items Sent by Disaster Victims
- Exemption from Postage and Fees for Relief Supplies and Related Mail Items Sent to the Disaster Area
- Charity Donations for Disaster Relief from Sales of Specially Issued Stamps
- Free Remittance of Disaster Relief Donations
- Disaster Voluntary Aid Account
- Emergency Handling of Insurance Contracts

■ Donations Handled for the Period of Fiscal 2006

At end of March 2007

Disaster	Period	Number of cases	Amount
Niigata Chuetsu earthquake	Since October 25, 2004 (ongoing)	3,703	63.39 million yen
Okinawa long rain and landslides	June 19, 2006 — July 18, 2006	709	6.35 million yen
July 2006 heavy rain	July 21, 2006 — September 27, 2006	9,455	110.19 million yen
Typhoon No.13	September 20, 2006 — October 19, 2006	2,453	30.71 million yen
Tornado	November 10, 2006 — February 9, 2007	8,740	125.35 million yen
Noto Peninsula earthquake	Since March 27, 2007 (ongoing)	21,360	269.10 million yen

3. Activities to Improve Health

PROMOTION OF RADIO TAIISO AND MINNA NO TAIISO

Radio Taiso (Radio Calisthenics) was initiated in 1928, and Minna no Taiso (Exercise for Everybody) was created in 1999 to commemorate the United Nations' International Year of the Elderly. Both are intended to promote and maintain the health of not just policyholders but the general public, and are aired daily on the television and radio networks of the Japan Broadcasting Corporation (NHK).

To encourage greater participation, events such as the Radio Calisthenics and Exercise for Everybody Festival for Ten Million People (held in Hiroshima-city, Hiroshima in fiscal 2006) and the Summer Radio Calisthenics and Exercise for Everybody Tour are held annually in cooperation with NHK and the National Radio Calisthenics Association.

4. Community Exchanges

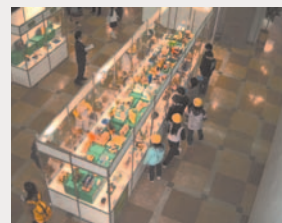
Japan Post attends community events and holds contests and other activities as opportunities for post offices to build ties with and contribute to local communities.

- **Attend Community Events**
- **Interaction with Local Communities**
- **“My Ideal Piggy Bank” Contest**
- **The Society of Postal Life Insurance Policyholders**

“My Ideal Piggy Bank” Contest

Japan Post started the annual “My Ideal Piggy Bank” contest in 1975 to help instill artistic creativity in children, as well as to encourage them to save, through creating their own original piggy banks.

At the 2006 contest, about 2.08 million entries (28.9% of all pupils) from about 19,200 elementary schools (84% of all elementary schools nationwide) were collected.



5. Involvement in the International Community

Japan Post makes efforts to contribution to the international community through cooperation with international institutions and other organizations to realize secure universal service, fast and reliable delivery of international mail and other important services, in today's accelerating globalization.

- **The Postal Network Connecting the World Together**
- **Contribution to the UPU and Other Organizations**
- **Cooperation with the APPU**
- **Postal Savings for International Voluntary Aid**
- **Cooperation in the Introduction and Development of Foreign Postal Savings Systems**

Postal Savings for International Voluntary Aid

Postal savings for international voluntary aid enables customers to donate all or part of the after-tax interest accrued on their Ordinary Savings or New Ordinary Savings. The donation is distributed among non-profit nongovernment organizations (NGOs) to improve the welfare of people living in developing regions, and used chiefly for basic necessities (medicine, sanitation, education, and the like). The amount distributed to non-governmental organizations up to fiscal 2007 is approximately 18.8065 billion yen.

Handling of postal savings for international volunteer aid (donation of interest) will be terminated at the end of September 2007, since the law, which serves as the grounds for such postal savings, will be abolished with the privatization of Japan Post. The collected donations will be taken over by the Incorporated Administrative Agency Management Organization for Postal Savings and Postal Life Insurance and will continue to be distributed to private aid organizations, until the funds have been dispersed.

6. International Exchanges

Japan Post also makes efforts in international exchanges as well as contribution to international communities.

- **Cooperation Extended on the Basis of Official Development Assistance (ODA)**
- **Acceptance of Staff Members from Overseas Postal Agencies**
- **Activities as a Member of the Universal Postal Union (UPU)**
- **Activities as a Member of World Savings Banks Institute (WSBI)**

Cooperation Extended on the Basis of Official Development Assistance

As one element of Japan's Official Development Assistance (ODA), the Postal Services Agency offers an annual Postal Executives' Seminar for the top management of developing countries' postal services. The seminar agenda includes discussion of such topics as problems that postal administrations are facing in each country.



4 About Japan Post

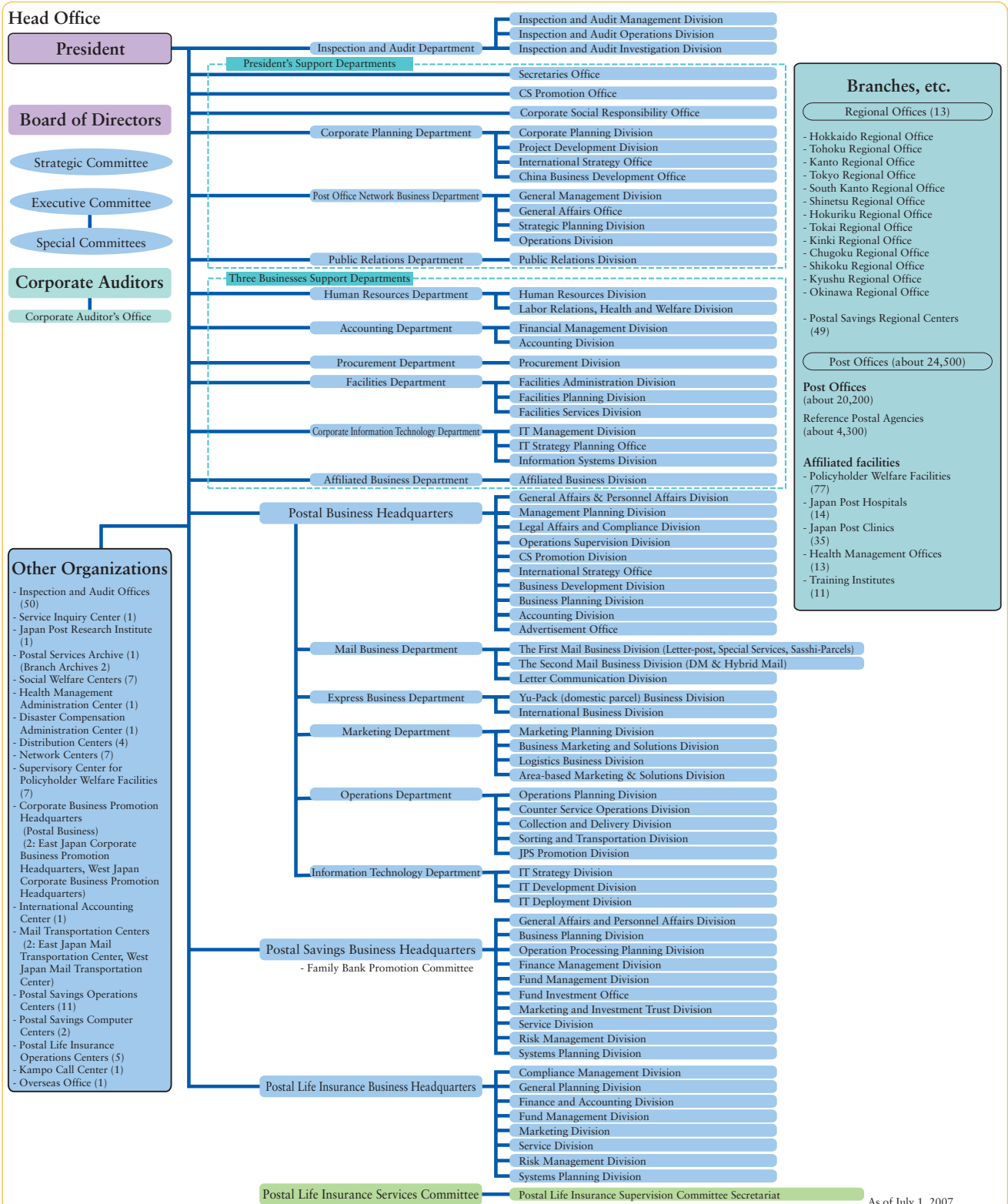


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1. Organization Overview

1. Organization Chart



Branches, etc.

Regional Offices (13)

- Hokkaido Regional Office
- Tohoku Regional Office
- Kanto Regional Office
- Tokyo Regional Office
- South Kanto Regional Office
- Shinetsu Regional Office
- Hokuriku Regional Office
- Tokai Regional Office
- Kinki Regional Office
- Chugoku Regional Office
- Shikoku Regional Office
- Kyushu Regional Office
- Okinawa Regional Office

- Postal Savings Regional Centers (49)

Post Offices (about 24,500)

Post Offices

(about 20,200)

Reference Postal Agencies (about 4,300)

Affiliated facilities

- Policyholder Welfare Facilities (77)
- Japan Post Hospitals (14)
- Japan Post Clinics (35)
- Health Management Offices (13)
- Training Institutes (11)

As of July 1, 2007

2. Number of Post Offices

Unit: post office

	Ordinary post offices			Special post offices			Postal agencies	Total
	Collection-and-delivery post offices	Non-collection-and-delivery post offices	Subtotal	Collection-and-delivery post offices	Non-collection-and-delivery post offices	Subtotal		
End of FY 2006	1,243	51	1,294	2,418	16,506	18,924	4,356	24,574
End of FY 2005	1,257	47	1,304	3,438	15,479	18,917	4,410	24,631
End of FY 2004	1,261	47	1,308	3,465	15,458	18,923	4,447	24,678
End of FY 2003	1,262	48	1,310	3,530	15,405	18,935	4,470	24,715

3. Employee Circumstances

Unit: person

	Japan Post total	Postal Services	Postal Savings	Postal Life Insurance	Other
End of FY 2006	254,177	109,193	55,415	40,405	49,164
End of FY 2005	256,572	110,579	55,410	41,248	49,335
End of FY 2004	261,937	114,158	56,316	41,994	49,469
End of FY 2003	271,368	120,255	57,877	42,871	50,365

(Reference: Breakdown of number of employees)

Unit: person

	Postal Services	Postal Savings	Postal Life Insurance
Employees working in offices	44,542	48,313	16,264
Employees working outside of offices	64,651	7,102	24,141

Note: Breakdown of the number of employees is as of March 31, 2007.

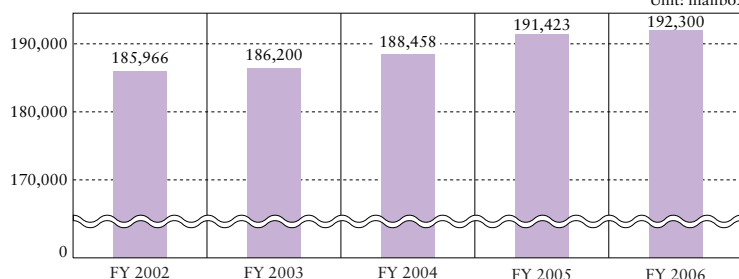
(Reference: Average annual income and other details, etc. of employees)

	Japan Post total			
		Postal Services	Postal Savings	Postal Life Insurance
Average age	41.6 years old	42.1 years old	40.8 years old	41.4 years old
Average length of service	19.6 years	20.2 years	18.9 years	19.0 years
Average annual salary	About 6.2 million yen	About 6.5 million yen	About 6.0 million yen	About 5.8 million yen

Note: Average age and average length of service are as of October 2006.

4. Number of Mailboxes

Unit: mailbox



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5. Number of ATMs Installed

The first ATMs were installed in FY 1979, and by the end of FY 1992 every post office in Japan had an ATM (with the exception of a small number of post offices and postal agencies that could not install ATMs owing to lack of space).

Unit: ATM, location

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Number of ATMs	26,123	26,483	26,519	26,297	26,103
Off Premises ATMs	2,817	2,874	2,869	2,564	2,226

2. Post Office Network Characteristics

Post offices provide post, savings and life insurance services to the public through the nationwide post office network. At the same time, they serve as focal points for the community where information can be obtained and advice provided on a variety of issues related to the requirements of everyday life.

Maintaining Post Office Network Standards

With post offices established in all 1,827 cities, towns and villages in Japan (as of end of fiscal 2006), Japan Post offers a complete network of services across the country. (Total number of post offices as of the end of fiscal 2006: 24,574)

Lifeline Function during Disasters

The Post Office Network, reaching every nook and cranny of Japan, provides various services as needed by residents in times of disasters or other emergency-related situations. (Disaster services can include free supplies of postcards, etc., emergency handling for lost postal savings passbooks or stamps, immediate payment of insurance claims and loans, etc.)

Other lifeline services include handling of various government administrative services, sales of revenue stamps, payment of pension benefits, and other items essential for daily life.

Local-oriented Policies

Japan Post is promoting policies to boost post office capabilities in response to local demands and expectations, strengthening the links between local communities and post offices, and raising the profile of post offices as the public institution closest to the people. (Acceptance of administrative work on behalf of local government authorities, the Himawari Service, participation in fire prevention activities, etc.)

Private-sector Utilization of the Post Office Network

Japan Post is opening up the life infrastructure of the Post Office Network through promotion of tie-ups with private-sector services to improve customer convenience. (ATM service tie-ups with private-sector financial institutions, sales of compulsory liability insurance for motorcycles, etc.)

Future utilization of the Post Office Network will include further expansion of life infrastructure services for local residents, and many other service possibilities in response to the needs of the local society and economy are now under study (the One Stop Convenience Office Concept).

3. Board of Directors

LIST OF BOARD OF DIRECTORS AS OF END OF FISCAL 2006

As of March 31, 2007

The number of the directors of fiscal 2006: 1 President, 2 Executive Deputy Presidents, 16 Managing Executive Officers (including 4 non-standing Managing Executive Officers), and 3 Corporate Auditors (including 1 non-standing auditor)

President

IKUTA Masaharu

Executive Deputy Presidents

TAKAHASHI Toshihiro

DAN Hiroaki

Managing Executive Officers

(Standing)

YAMASHITA Izumi

SASAKI Hideharu

NISHIMURA Kiyoshi

MORI Takamasa

HONPO Yoshiaki

FUJIMOTO Eisuke

ITO Takao

OKADA Katsuyuki

MASE Tomohisa

YOSHIMOTO Kazuhiko

SAIO Chikanori

GANNYO Hisamitsu

(Non-standing)

SETO Yuzo

MUNEKUNI Yoshihide

IKEO Kazuhito

ISHIKURA Yoko

Corporate Auditors

(Standing)

SEKINE Yoshio

TAKAHASHI Morikazu

(Non-standing)

INOUE Hidekazu

* ISHIKURA Yoko, (non-standing) managing executive officer, retired from her office as of March 31, 2007.

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BOARD OF DIRECTORS APPOINTED ON APRIL 1, 2007

President

NISHIKAWA Yoshifumi (Newly appointed: President of JAPAN POST HOLDINGS Co., Ltd.)

Executive Deputy Presidents

TAKAGI Shokichi (Newly appointed: Executive Deputy President of JAPAN POST HOLDINGS Co., Ltd.)
DAN Hiroaki (Reappointed)

Managing Executive Officers

(Standing)

YAMASHITA Izumi (Reappointed)
SASAKI Hideharu (Reappointed)
NISHIMURA Kiyoshi (Reappointed)
HONPO Yoshiaki (Reappointed)
FUJIMOTO Eisuke (Reappointed)
ITO Takao (Reappointed)
OKADA Katsuyuki (Reappointed)
MASE Tomohisa (Reappointed)
SAIO Chikanori (Reappointed)

(Non-standing)

MUNEKUNI Yoshihide (Reappointed: Special advisor to Honda Motor Co., Ltd.)
IKEO Kazuhito (Reappointed: Professor of Faculty of Economics, Keio University)

Corporate Auditors

(Standing)

SEKINE Yoshio (Reappointed)
TAKAHASHI Morikazu (Reappointed)

(Non-standing)

INOUE Hidekazu (Reappointed: Advisor to Nippon Telegraph and Telephone East Corporation)

DIRECTOR WHO RETIRED ON JUNE 22, 2007

Managing Executive Officer

(Standing)

HONPO Yoshiaki

4. Content of Operations

Japan Post engages in the following operations, based on regulations in Article 19 of the Japan Post Law (2002 Law No. 97).

- (1) Postal service operations based on regulations in the Postal Law
- (2) Postal savings operations based on regulations in the Postal Savings Law
- (3) Postal money order operations based on regulations in the Postal Money Order Law
- (4) Postal giro operations based on regulations in the Postal Transfer Law
- (5) Postal life insurance operations based on regulations in the Postal Life Insurance Law
- (6) Sells revenue stamps, consigned by the government
- (7) Pays retirement allowances and other government disbursements, consigned by the government
- (8) Issues New Year Lottery Postcards and Charity Donation postcards
- (9) Establishes and operates general announcements on postal savings and dissemination facilities
- (10) Handles bidding for government bonds, etc.
- (11) Processes contributions to postal savings for International Voluntary Aid
- (12) Exchanges foreign currencies and purchases and sells travelers checks
- (13) Processes contributions to Disaster Voluntary Aid Account
- (14) Manages and controls defined contribution pension fund (limited to individual pension fund)
- (15) Establishes and operates postal life insurance policyholder welfare facilities
- (16) Handles treasury funds entrusted by the Bank of Japan
- (17) Federation of National Public Service Personnel Mutual Aid Association pension and lump sum payments
- (18) Administrative work involved in the sale of lottery tickets and payment to lottery winners
- (19) Handles operations concerning acceptance of applications for small-scale educational fund loans and grant of loans, consigned by National Life Finance Corporation and Okinawa Development Finance Corporation
- (20) Handles deposit and withdrawal operations for financial deposits, stipulated by the law related to the entrustment and consignment of acceptance and payment of postal savings, deposits, etc.
- (21) Handles operations provided for in Article 61, Paragraph 1 of the Defined Contribution Pension Law, including acceptance of application for personal pensions, consigned by the Federation of National Pension Fund Association
- (22) Handles operations of local government authorities conducted based on regulations in the law concerning handling of specified operations of local government authorities at post offices, and operations consigned by local government authorities
- (23) Handles applications for motorcycle liability insurance
- (24) Handles operations contributing to the convenience of regional residents, consigned by NTT East and West, successor to Kokusai Denden, specified in Article 5, Paragraph 1 of the supplementary rules to the Telecommunications Business Law, or NHK
- (25) Handles placement of beneficiary certificates of securities investment trusts

5. Address of Head Office and Regional Offices

As of March 31, 2007

	Zip code	Addresses
Headquarters	100-8798	1-3-2, Kasumigaseki, Chiyoda-ku, Tokyo
Hokkaido Regional Office	060-8797	4-3, Kitaniho-nishi, Chuo-ku, Sapporo, Hokkaido
Tohoku Regional Office	980-8797	1-1-34, Ichiban-cho, Aoba-ku, Sendai, Miyagi Prefecture
Kanto Regional Office	330-9797	3-1, Shintoshin, Chuo-ku, Saitama, Saitama Prefecture
South Kanto Regional Office	220-8797	1-1-3, Hiranuma, Nishi-ku, Yokohama, Kanagawa Prefecture
Tokyo Regional Office	106-8797	1-6-19, Azabudai, Minato-ku, Tokyo
Shinetsu Regional Office	380-8797	801, Kurita, Nagano, Nagano Prefecture
Hokuriku Regional Office	920-8797	1-1-1, Owari-cho, Kanazawa, Ishikawa Prefecture
Tokai Regional Office	469-8797	3-2-5, Marunouchi, Naka-ku, Nagoya, Aichi Prefecture
Kinki Regional Office	530-8797	3-9, Kitahama-higashi, Chuo-ku, Osaka, Osaka Prefecture
Chugoku Regional Office	730-8797	19-8, Higashishiroshima-cho, Naka-ku, Hiroshima, Hiroshima Prefecture
Shikoku Regional Office	790-8797	8-5, Miyata-cho, Matsuyama, Ehime Prefecture
Kyushu Regional Office	860-8797	1-1, Joto-cho, Kumamoto, Kumamoto Prefecture
Okinawa Regional Office	900-8797	26-29, Higashi-cho, Naha, Okinawa Prefecture

6. Number of Post Offices by Prefecture

■ As of March 31, 2007

Unit: post office, branch office

		Ordinary post offices			Special post offices			Postal agencies	Total	Branch offices (separate tabulation)
		Collection-and-delivery post offices	Non-collection-and-delivery post offices	Subtotal	Collection-and-delivery post offices	Non-collection-and-delivery post offices	Subtotal			
Hokkaido	Hokkaido	72	1	73	213	928	1,141	300	1,514	1
Tohoku	Aomori	11	—	11	55	201	256	95	362	—
	Iwate	15	—	15	75	218	293	131	439	—
	Miyagi	18	3	21	67	276	343	93	457	—
	Akita	10	—	10	68	195	263	128	401	—
	Yamagata	13	—	13	55	221	276	111	400	—
	Fukushima	22	—	22	103	307	410	121	553	—
	Subtotal	89	3	92	423	1,418	1,841	679	2,612	—
Kanto	Ibaraki	37	—	37	49	379	428	57	522	—
	Tochigi	21	—	21	48	242	290	48	359	—
	Gunma	20	—	20	39	243	282	38	340	—
	Saitama	52	2	54	17	553	570	19	643	—
	Chiba	48	1	49	47	597	644	34	727	2
	Subtotal	178	3	181	200	2,014	2,214	196	2,591	2
Minami-Kanto	Kanagawa	57	3	60	6	688	694	17	771	—
	Yamanashi	15	—	15	10	176	186	68	269	—
	Subtotal	72	3	75	16	864	880	85	1,040	—
Tokyo	Tokyo	88	26	114	12	1,383	1,395	9	1,518	7
Shinetsu	Niigata	32	—	32	70	433	503	154	689	1
	Nagano	28	—	28	76	340	416	225	669	1
	Subtotal	60	—	60	146	773	919	379	1,358	2
Hokuriku	Toyama	20	—	20	18	174	192	85	297	—
	Ishikawa	11	—	11	34	210	244	83	338	1
	Fukui	10	—	10	32	168	200	36	246	—
	Subtotal	41	—	41	84	552	636	204	881	1
Tokai	Gifu	24	—	24	76	255	331	102	457	1
	Shizuoka	37	—	37	63	384	447	119	603	—
	Aichi	65	3	68	41	728	769	95	932	5
	Mie	16	—	16	55	301	356	95	467	—
	Subtotal	142	3	145	235	1,668	1,903	411	2,459	6
Kinki	Shiga	14	—	14	28	185	213	32	259	2
	Kyoto	28	—	28	21	393	414	34	476	2
	Osaka	69	7	76	5	1,012	1,017	31	1,124	7
	Hyogo	51	—	51	62	727	789	125	965	2
	Nara	16	—	16	35	190	225	82	323	—
	Wakayama	14	—	14	36	213	249	54	317	—
	Subtotal	192	7	199	187	2,720	2,907	358	3,464	13
Chugoku	Tottori	4	—	4	22	121	143	100	247	—
	Shimane	9	—	9	66	182	248	122	379	—
	Okayama	23	—	23	69	327	396	114	533	2
	Hiroshima	29	2	31	77	476	553	121	705	1
	Yamaguchi	20	—	20	54	280	334	65	419	2
	Subtotal	85	2	87	288	1,386	1,674	522	2,283	5
Shikoku	Tokushima	10	—	10	48	145	193	36	239	—
	Kagawa	15	—	15	17	157	174	38	227	—
	Ehime	18	—	18	42	257	299	81	398	—
	Kochi	14	1	15	30	184	214	94	323	—
	Subtotal	57	1	58	137	743	880	249	1,187	—
Kyushu	Fukuoka	58	1	59	50	606	656	97	812	—
	Saga	13	—	13	28	125	153	40	206	—
	Nagasaki	16	—	16	85	210	295	138	449	—
	Kumamoto	18	—	18	76	297	373	178	569	—
	Oita	16	—	16	58	234	292	94	402	—
	Miyazaki	11	—	11	54	131	185	114	310	—
	Kagoshima	22	—	22	105	309	414	283	719	2
	Subtotal	154	1	155	456	1,912	2,368	944	3,467	2
Okinawa	Okinawa	13	1	14	21	145	166	20	200	1
Total		1,243	51	1,294	2,418	16,506	18,924	4,356	24,574	40

Note 1: Showa Base post offices and post offices on ships are not included.

Note 2: The number of post offices includes ones that are temporarily closed.

(Reference: Change in the number of post offices)

	End of FY 2002	End of FY 2003	End of FY 2004	End of FY 2005	End of FY 2006
Ordinary post offices	1,310	1,310	1,308	1,304	1,294
Collection-and-delivery post offices	1,260	1,262	1,261	1,257	1,243
Non-collection-and-delivery post offices	50	48	47	47	51
Special post offices	18,941	18,935	18,923	18,917	18,924
Collection-and-delivery post offices	3,563	3,530	3,465	3,438	2,418
Non-collection-and-delivery post offices	15,378	15,405	15,458	15,479	16,506
Postal agencies	4,501	4,470	4,447	4,410	4,356
Total	24,752	24,715	24,678	24,631	24,574

Note 1: Showa Base post offices and post offices on ships are not included.

Note 2: The number of post offices includes ones that are temporarily closed.

7. History

Date	Facts
April 20, 1871	Modern Postal Service Introduced
January 1, 1875	Government mail offices and mail handling offices renamed post offices
January 2, 1875	Postal Money Order Service established
May 2, 1875	Postal Savings Services inaugurated
December 22, 1885	Ministry of Communications established
March 1, 1906	Postal Giro Service inaugurated
October 1, 1916	Postal Life Insurance Services inaugurated
June 1, 1949	The Ministry of Posts and Telecommunications established
January 6, 2001	In accordance with the Central Government Reform, Ministry of Public Management, Home Affairs, and Posts and Telecommunications (MPHPT) and Postal Service Agency established
April 1, 2003	Japan Post established

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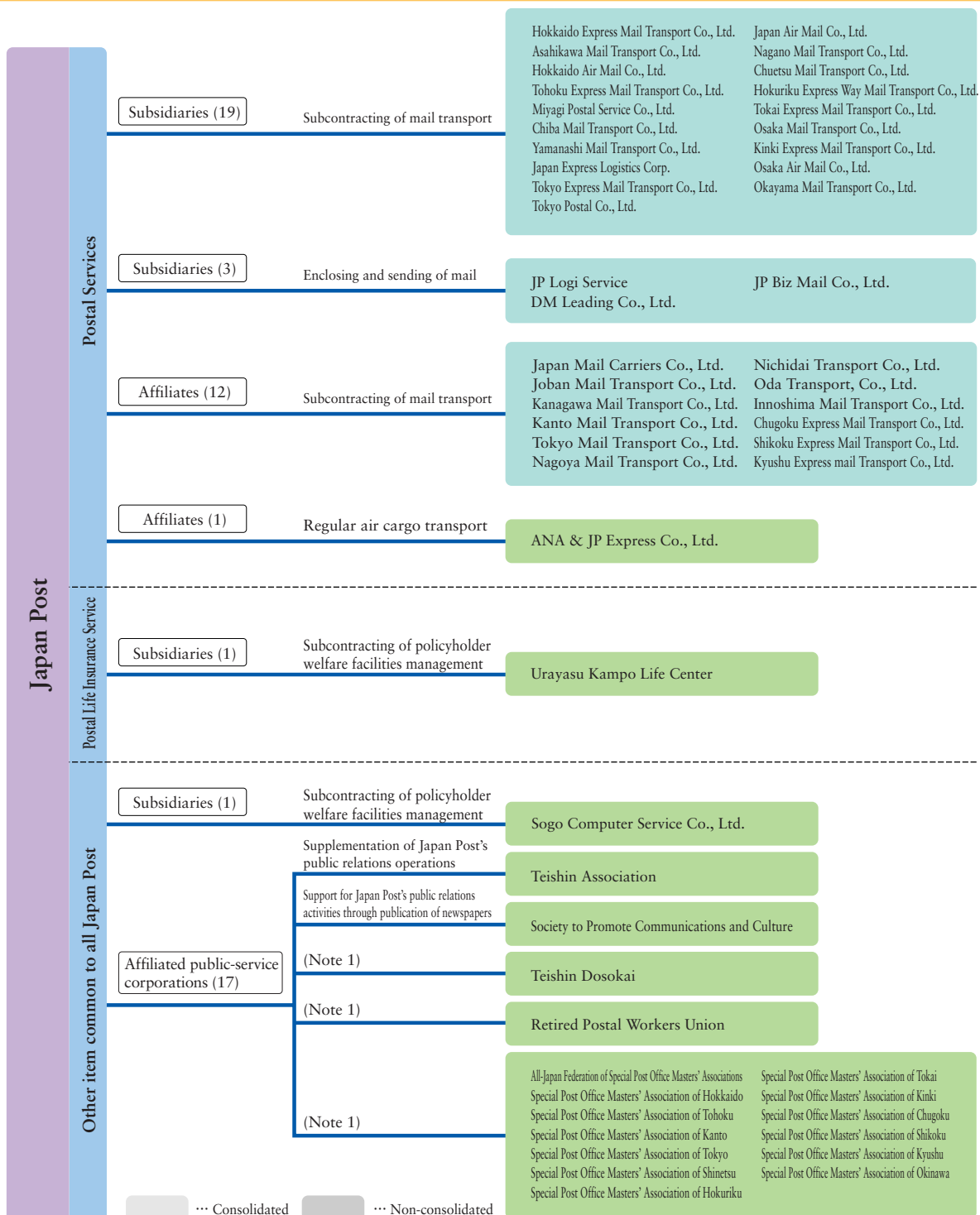
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8. Relationships with Subsidiaries

Organizational Tree

As of end of March 2007



Note 1: Companies where former Japan Post officers account for at least one third of the officers, and are affiliated public-service corporations.

Note 2: Association of Pen Friend Clubs of Japan which was an affiliated public-service corporation of Japan Post until the previous fiscal year, no longer fall under the category of affiliated public-service corporation this year and they are not listed in the chart above because Association of Pen Friend Clubs of Japan was dissolved in March 2006.

Note 3: Japan Direct Mail Association, which was an affiliated public-service corporation until the previous fiscal year, no longer falls under the category of affiliated public-service corporations this year and is not listed in the chart above, because business transactions with Japan Post were decreased and we do no longer have any practical influence on this public-service corporation.

Note 4: Research Institute of Telecommunications and Economics, which was an affiliated public-service corporation, no longer falls under the category of affiliated public-service corporations this year and is not listed in the chart above, because its director who was concurrently Japan Post's personnel was retired and we do no longer have any practical influence on this public-service corporation.

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1. Main Results Data

1. Operational Indicators

POSTAL SERVICE INCOME AND EXPENDITURE BY CLASS

Postal Service income and expenditure by class of operating income and operating expenses by mail class based on profit and loss in the Postal Service.

Income and Expenditure by Mail Class for FY 2006

Unit: billion yen

Class	Operating income	Operating expenses	Operating profit
Letter post	1,424.6	1,398.7	25.9
First class (sealed letters)	776.4	709.7	66.7
Second class (postcards)	423.6	399.6	24.0
Third class (newspapers and magazines)	23.7	44.3	(20.6)
Fourth class (correspondence courses, etc.)	1.1	2.9	(1.8)
Special handling (registered delivery, express)	199.8	242.2	(42.4)
Parcel post	323.9	322.1	1.8
International mail	81.7	72.8	8.9
Total	1,830.2	1,793.5	36.6

Note 1: Operating expenses are the total of operating costs and SG&A expenses.

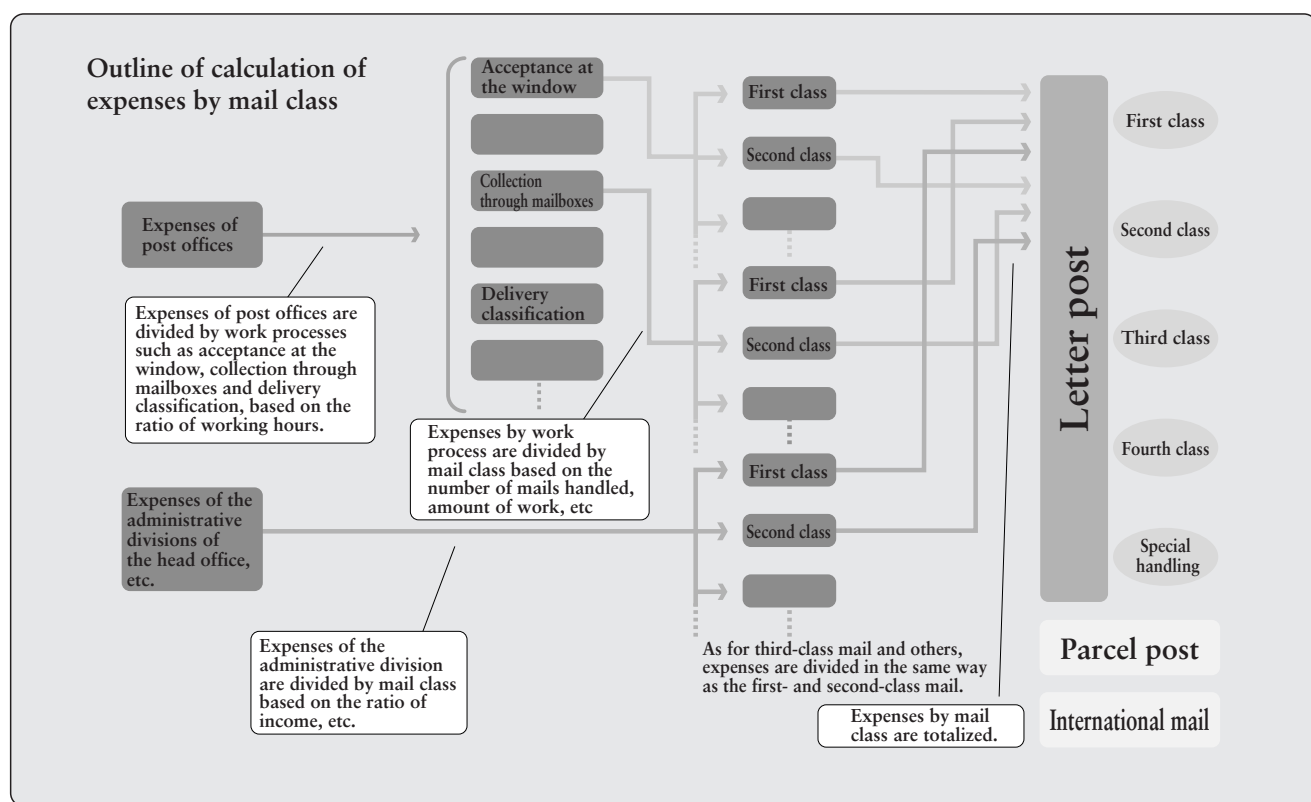
Note 2: The chart above covers the postal services specified in the Postal Act based on the provision of Article 75-2, paragraph 4 of the Postal Act and does not match with the figures on income statements related to postal service categories.

Note 3: Fractions less than ¥1 billion are rounded down to the nearest billion yen.

Reference: Income and Expenditure by Mail Class for FY 2005

Unit: billion yen

Class	Operating income	Operating expenses	Operating profit
Letter post	1,439.7	1,428.2	11.6
First class (sealed letters)	787.3	731.0	56.3
Second class (postcards)	434.3	419.4	15.0
Third class (newspapers and magazines)	26.4	48.9	(22.5)
Fourth class (correspondence courses, etc.)	1.0	3.2	(2.2)
Special handling (registered delivery, express)	190.7	225.7	(35.0)
Parcel post	305.2	298.2	7.0
International mail	80.3	75.2	5.1
Total	1,825.1	1,801.5	23.6



■ Comparison of Profit and Loss by Fiscal Year

Unit: billion yen

Class	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
I. Operating income	1,966.6	1,924.8	1,909.0	1,913.4
II. Operating cost	1,813.6	1,794.1	1,792.3	1,785.9
Gross operating profit	153.0	130.6	116.6	127.4
III. Sales, general and administrative expenses	92.5	99.8	101.9	99.4
Operating profit	60.5	30.7	14.7	27.9
IV. Non-operating income	5.5	8.1	9.3	8.1
V. Non-operating expenses	20.5	12.7	8.9	7.3
Ordinary profit	45.5	26.2	15.1	28.8
VI. Extraordinary gains	4.3	6.8	12.9	6.0
VII. Extraordinary losses	23.5	4.7	25.4	33.0
Net income	26.3	28.3	2.6	1.8

Reference

Income (I + IV + VI)	1,976.6	1,939.8	1,931.2	1,927.6
Expenses (II + III + V + VII)	1,950.2	1,911.5	1,928.5	1,925.7
Net income	26.3	28.3	2.6	1.8

Note: The above-mentioned amounts do not include the consumption tax.

■ Breakdown of Operating Income

The breakdown of operating income in each fiscal year is as follows:

Unit: billion yen

Classification	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Operating income of postal services	1,884.2	1,844.2	1,827.8	1,832.6
Letter post	1,629.4	1,524.7	1,439.7	1,424.6
Parcel post	168.6	234.5	305.2	323.9
International mail	83.3	82.3	80.3	81.7
Others	2.8	2.8	2.7	2.4
Income of consigned services	71.9	70.4	72.0	72.0
Revenue stamp selling service	69.1	67.8	69.6	70.0
Services entrusted by broadcaster	2.7	2.5	2.4	1.9
Services entrusted by telephone companies	0.0	0.0	0.0	0.0
Other operating income	10.5	10.1	9.1	8.7
Total of operating income	1,966.6	1,924.8	1,909.0	1,913.4

Note 1: The above-mentioned amounts do not include the consumption tax.

Note 2: Since fractions less than ¥1 billion are discarded, figures cannot be added up correctly in some cases.

■ Breakdown of Operating Expenses

The breakdown of operating expenses in each fiscal year is as follows:

Unit: billion of yen

Classification	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Personnel expenses	1,402.9	1,420.7	1,423.8	1,424.7
Directors' remunerations	0.0	0.0	0.0	0.1
Salaries and allowances	1,008.2	1,026.4	1,038.8	1,048.2
Basic salary	722.4	721.9	727.4	736.7
Various allowances	62.2	58.6	58.8	61.2
Overtime pay	77.7	92.5	104.0	103.0
Bonuses	144.2	151.4	146.3	144.0
Other salaries and allowances	1.6	1.8	2.2	3.0
Provision for reserve for employees' bonuses	72.6	72.9	70.5	66.7
Retirement benefit expenses	104.1	102.9	99.4	94.7
Provision for reserve for directors' retirement benefits	0.0	0.0	0.0	0.0
Legal welfare expense	209.2	210.1	206.7	206.8
Other personnel expenses	8.4	8.2	8.1	7.9
Expenses	503.2	473.2	470.3	460.7
Business consignment expenses	218.0	200.1	213.4	209.6
Collection, delivery and transportation consignment expenses	184.5	169.8	184.4	180.6
Handling commissions	33.5	30.2	29.0	28.9
Expenses other than business consignment expenses	285.1	273.1	256.8	251.1
Fuel cost	5.9	6.5	7.7	8.6
Vehicle repair cost	5.6	5.4	6.2	5.8
Stamp and postcard purchase cost	14.3	12.0	10.9	10.6
Depreciation	97.3	89.3	78.8	73.9
Advertising cost	9.0	10.2	9.8	7.5
Facility charges	33.5	33.2	31.0	29.5
Taxes and public charges	0.9	8.7	8.9	8.5
Allowance for doubtful accounts	0.8	—	0.2	0.0
Losses on bad loans	0.5	0.0	0.0	0.1
Other expenses	116.8	107.6	103.0	106.1
Total operating expenses (personnel expenses + expenses)	1,906.1	1,894.0	1,894.2	1,885.4

Note 1: Operating expenses are the total of operation costs and SG&A expenses.

Note 2: The above-mentioned figures do not include the consumption tax.

Note 3: Since fractions less than ¥1 billion are discarded, figures cannot be added up correctly in some cases.

■ Breakdown of Postal Service Income

Unit: billion yen

Classification	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Postal service revenue	1,951.7	1,906.3	1,855.6	1,855.6	1,854.3
Postal stamp revenue	390.1	355.7	318.7	290.3	275.9
Ordinary postal stamps	353.9	328.4	295.2	273.6	264.5
Special postal stamps	36.2	27.3	23.5	16.7	11.4
Postcard charge	267.2	274.7	267.8	261.3	251.9
Ordinary postcards	74.6	74.4	76.4	75.4	72.5
New Year's lottery postcards	192.6	200.3	191.4	185.9	179.4
Subsequent payment of postage	800.8	813.2	850.1	911.0	949.6
Separate payment of postage	481.4	445.7	404.9	378.2	364.1
Postal miscellaneous income	12.2	17.0	14.1	14.8	12.8

Note 1: The above-mentioned amounts are not consistent with the numerical values on the financial statements, since they are the amounts received (including the consumption tax).

Note 2: Explanations of items are as follows:

- Postal stamp revenue: Revenue from sale of postal stamps and international mail coupons
- Ordinary postal stamps: Of postal stamp revenue, revenue of those other than special postal stamps
- Special postal stamps: Revenue from sale of postal stamps issued for special purposes, including commemoration of various events
- Postcard charges: Revenue from sale of postcards, postal letters, air letters, etc.
- Ordinary postcards: Of postcard charges, revenue from those other than New Year's lottery postcards
- New Year's lottery postcard: Revenue from sale of postcards with New Year's lottery
- Subsequent payment of postage: Revenue from charges of mails with subsequent payment of postage
- Separate payment of postage: Revenue from charges of mails with separate payment of postage
- Postal miscellaneous income: Income from postal services other than those mentioned above, such as charges of goods for sale

■ Breakdown of Postal Service Revenue by Branch Office

Unit: billion yen

Classification	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Hokkaido	76.6	74.2	70.1	66.7	64.8
Tohoku	91.7	91.0	85.9	83.1	82.7
Kanto	311.8	194.2	187.3	187.6	191.3
Minami kanto	—	112.7	107.3	104.7	100.3
Tokyo	560.1	536.3	538.4	558.8	566.4
Shinetsu	55.9	55.9	49.9	47.5	44.5
Hokuriku	35.0	34.2	32.9	32.4	32.6
Tokai	185.9	183.8	176.5	172.4	171.6
Kinki	320.5	311.5	301.3	294.5	292.5
Chugoku	107.4	106.2	102.0	99.8	98.0
Shikoku	46.7	45.5	44.4	43.8	41.6
Kyushu	147.6	146.7	143.2	141.5	144.6
Okinawa	12.3	12.4	12.5	12.4	12.3
Head office	0.2	1.7	3.9	10.4	11.1
Total	1,951.7	1,906.3	1,855.6	1,855.6	1,854.3

Note 1: The above-mentioned amounts are not consistent with the numerical values on the financial statements, since they are the amounts received (including the consumption tax).

Note 2: The figure for Kanto in fiscal 2002 includes the revenue of Minami kanto.

Note 3: The revenues of the head office include commissions on the national edition of advertising postcards and income from handling of post cards for election

2. Investment Indicators

(1) MAIN ASSETS (POSTAL SAVINGS AND POSTAL LIFE INSURANCE SERVICES)

■ Composition and Changes in Main Assets (Postal Savings Service)

Unit: million yen, %

Item	Composition of assets				Change in assets
	End of FY 2005	Percentage	End of FY 2006	Percentage	FY 2006
Cash and deposits	6,833,580	2.8	5,377,477	2.3	(1,456,102)
Call loans	100,000	0.0	1,000,000	0.4	900,000
Receivable under resale agreements	159,478	0.1	119,893	0.1	(39,584)
Monetary claims bought	—	—	—	—	—
Money held in trust	3,321,309	1.3	1,927,293	0.9	(1,394,016)
Securities	152,241,530	61.7	165,016,502	71.7	12,774,972
Japanese bonds	149,100,551	60.4	162,283,689	70.5	13,183,137
Japanese government bonds	132,599,828	53.7	146,721,107	63.8	14,121,278
Japanese local government bonds	8,659,218	3.5	8,130,698	3.5	(528,520)
Japanese corporate bonds	7,841,503	3.2	7,431,883	3.2	(409,620)
Foreign bonds	3,140,979	1.3	2,732,813	1.2	(408,165)
Other securities	—	—	—	—	—
Deposits to the fiscal loan fund	79,896,900	32.4	52,243,500	22.7	(27,653,400)
Loans	4,126,964	1.7	4,376,059	1.9	249,094
Loans to depositors	408,510	0.2	328,230	0.1	(80,279)
Loans on security of government bonds	848	0.0	873	0.0	24
Loans to local governments	3,506,606	1.4	3,686,955	1.6	180,348
Loans to Postal Service	211,000	0.1	360,000	0.2	149,000
Total	246,679,763	100.0	230,060,726	100.0	(16,619,036)
Foreign currency-denominated assets within the above totals	3,027,222	1.2	2,636,627	1.1	(390,595)

Note 1: Foreign bonds are bonds issued by overseas issuers and include yen-dominated bonds.

Note 2: Cash and deposits covers cash, Bank of Japan deposits, certificates of deposit and private financial institution deposits.

■ Composition and Changes in Investment Assets (Postal Life Insurance Service)

Unit: million yen, %

Item	Composition of assets				Change in assets
	End of FY 2005	Percentage	End of FY 2006	Percentage	FY 2006
Cash and deposits	1,685,194	1.4	920,989	0.8	(764,205)
Call loans	367,200	0.3	304,600	0.3	(62,600)
Receivable under resale agreements	—	—	—	—	—
Monetary claims bought	59,994	0.1	29,989	0.0	(30,005)
Money held in trust	9,151,709	7.7	7,575,213	6.6	(1,576,496)
Securities	84,850,542	71.4	84,217,647	73.1	(632,894)
Japanese bonds	82,993,019	69.8	82,212,005	71.3	(781,013)
Stocks	2,480	0.0	3,141	0.0	660
Foreign bonds	1,855,042	1.6	2,002,500	1.7	147,458
Other securities	—	—	—	—	—
Loans	22,757,144	19.1	22,203,178	19.3	(553,966)
Loans to policyholders	1,980,884	1.7	1,836,700	1.6	(144,184)
Loans to government finance and public corporations, etc.	1,503,507	1.3	1,187,904	1.0	(315,603)
Loans to local governments	19,124,953	16.1	19,049,756	16.5	(75,196)
Loans to Postal Service	147,800	0.1	128,818	0.1	(18,982)
Others	4,987	0.0	5,440	0.0	452
Total	118,876,773	100.0	115,257,058	100.0	(3,619,714)
Foreign currency-denominated assets within the above totals	1,431,644	1.2	1,785,909	1.5	354,264

Note: Changes are the differences between the amount at the end of FY 2006 and FY 2005. However, the changes reported at the end of FY 2003 are the differences between the amount at the end of FY 2003 and the time of the establishment of Japan Post.

(2) AVERAGE BALANCE OF MAIN ASSETS AND YIELD (POSTAL SAVINGS AND POSTAL LIFE INSURANCE SERVICES)

■ Average Balance of Main Assets and Yield (Postal Savings Service)

Unit: million yen, %

Item	FY 2005		FY 2006	
	Average balance	Yield	Average balance	Yield
Cash and deposits	4,480,355	0.01	5,018,405	0.14
Call loans	99,487	0.00	344,794	0.30
Receivable under resale agreements	160,582	0.02	89,266	0.30
Monetary claims bought	—	—	—	—
Securities	144,645,751	0.80	160,995,732	0.93
Japanese bonds	141,613,723	0.74	158,049,244	0.87
Japanese government bonds	124,477,117	0.64	141,815,444	0.82
Japanese local government bonds	9,181,767	1.89	8,457,335	1.70
Japanese corporate bonds	7,954,838	0.88	7,776,464	0.93
Japanese public corporations bonds	5,065,944	1.04	5,039,864	1.06
Foreign bonds	3,032,027	3.53	2,946,487	4.01
Other securities	—	—	—	—
Deposits to the fiscal loan fund	97,725,849	1.99	64,762,870	1.97
Loans	3,943,896	0.98	4,216,787	1.08
Loans to local governments	3,307,639	1.10	3,660,582	1.19
Total	251,055,923	1.25	235,427,856	1.20

Note 1: The average balance for money trusts (average month-end balance at market price) is 2,504,542 million yen (3,399,059 million yen in FY 2005).

Note 2: The time-weighted rate of return for money trusts (rate of return measured for portion excluding deposits) is 4.37% (46.24% in FY 2005).

Note 3: Cash and deposits covers Bank of Japan deposits, certificates of deposit and private financial institution deposits.

■ Average Balance of Main Assets and Yield (Postal Life Insurance Service)

Unit: million yen, %

Item	FY 2005		FY 2006	
	Average balance	Yield	Average balance	Yield
Cash and deposits	924,952	0.02	870,857	0.24
Call loans	202,287	0.04	331,014	0.28
Receivable under resale agreements	13,092	0.01	—	—
Monetary claims bought	63,876	0.03	32,378	0.21
Money held in trust	6,454,903	15.96	5,461,121	18.85
Securities	85,833,663	0.94	85,370,895	0.94
Japanese bonds	84,131,604	0.89	83,455,386	0.87
Japanese government bonds	59,837,738	0.71	63,784,656	0.75
Japanese local government bonds	5,961,793	0.46	4,399,714	0.74
Japanese corporate bonds	18,332,073	1.61	15,271,015	1.43
Japanese public corporations bonds	15,439,710	1.80	12,663,045	1.58
Foreign bonds	1,700,337	3.48	1,913,788	3.86
Stock	1,720	2.92	1,720	3.24
Other securities	—	—	—	—
Loans	23,826,174	2.98	22,610,813	2.87
Loans to local governments	19,700,695	2.86	19,188,653	2.75
Total investments	117,323,726	2.17	114,684,352	2.16
Overseas loans and investments	1,704,659	3.47	1,916,923	3.86
Total	118,710,730	2.15	115,999,729	2.14

(3) FISCAL INVESTMENT AND LOANS RELATED (POSTAL SAVINGS AND POSTAL LIFE INSURANCE SERVICES)

■ Amount of Fiscal Investment and Loan Bonds Underwritten (Postal Savings Service)

Unit: billion yen

Unit: billion yen

Item	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY2007 (Projected)
Two-year bonds	5,439.9	4,059.9	8,864.9	3,684.9	3,469.9	2,475.0
Five-year bonds	2,718.9	2,469.9	3,939.9	2,459.9	2,669.9	1,100.0
Ten-year bonds	5,434.4	3,429.9	6,894.9	5,054.9	4,859.9	1,925.0
Total	13,593.3	9,959.9	19,699.8	11,199.8	10,999.8	5,500.0

Note: Amount of fiscal investment and loan bonds underwritten using postal savings assets as an interim measure accompanying the reform of fiscal investment and loan system (based on paid amounts excluding accrued interests).

■ Amount of Fiscal Investment and Loan Bonds Underwritten (Postal Life Insurance Service)

Unit: billion yen

Unit: billion yen

Item	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 (Projected)
Two-year bonds	309.9	—	—	—	—	—
Five-year bonds	1,394.9	1,349.9	—	—	—	—
Ten-year bonds	930.0	1,289.9	2,099.9	1,049.9	499.9	—
Twenty-year bonds	464.9	299.9	299.9	299.9	499.9	252.0
Total	3,099.8	2,939.9	2,399.9	1,349.8	999.9	252.0

Kampo Fund Investment by FILP Agency (Postal Life Insurance Service)

Unit: million yen, %

Reference

Unit: billion yen, %

Section		Fiscal year-end		FY 2003		FY 2004		FY 2005		FY 2006		FY 2002	
		Investment amount	Percentage	Investment amount	Percentage	Investment amount	Percentage	Investment amount	Percentage	Investment amount	Percentage	Investment amount	Percentage
Japanese government	Special Account for Measures to Cope with the More Sophisticated Demand Structure of Petroleum and Energy	22,603	0.1	13,403	0.0	7,812	0.0	4,419	0.0	—	—	—	—
	General Account	666,087	1.8	510,284	1.5	242,243	0.8	—	—	—	—	—	—
	Postal Services Special Account	—	—	—	—	—	—	—	—	—	—	216.9	0.5
Government finance and public corporations	Government Housing Loan Corporation	648,634	1.8	435,695	1.3	275,171	0.9	155,035	0.6	886.3	2.2	886.3	2.2
	National Life Finance Corporation	437,080	1.2	143,880	0.4	—	—	—	—	852.3	2.1	852.3	2.1
	Japan Finance Corporation for Small Business	1,454,053	4.0	1,034,261	3.1	683,627	2.3	446,325	1.7	1,851.3	4.6	1,851.3	4.6
	Agriculture, Forestry and Fisheries Finance Corporation	53,512	0.1	37,487	0.1	25,815	0.1	15,966	0.1	74.3	0.2	74.3	0.2
	Okinawa Development Finance Corporation	98,366	0.3	69,671	0.2	47,038	0.2	28,752	0.1	131.6	0.3	131.6	0.3
	Development Bank of Japan	409,552	1.1	280,874	0.9	191,144	0.7	118,754	0.5	563.4	1.4	563.4	1.4
	Japan Bank for International Cooperation	216,824	0.6	155,418	0.5	103,856	0.4	64,613	0.2	284.4	0.7	284.4	0.7
	Urban Development Corporation	2,122,336	5.8	—	—	—	—	—	—	2,334.7	5.8	2,334.7	5.8
	Urban Renaissance Agency	—	—	1,760,845	5.3	1,317,153	4.5	764,967	3.0	—	—	—	—
	Employment and Human Resources Development Organization of Japan	8,614	0.0	2,503	0.0	600	0.0	—	—	15.4	0.0	15.4	0.0
	Environmental Restoration and Conservation Agency	9,568	0.0	6,540	0.0	4,410	0.0	2,640	0.0	12.6	0.0	12.6	0.0
	Corporation for Advanced Transport & Technology	—	—	—	—	—	—	—	—	64.8	0.2	64.8	0.2
	Japan Railway Construction, Transport and Technology Agency	142,724	0.4	103,501	0.3	65,134	0.2	33,747	0.1	—	—	—	—
	Japan Regional Development Corporation	167,232	0.5	—	—	—	—	—	—	176.3	0.4	176.3	0.4
	Japan Sewage Works Agency	—	—	—	—	—	—	—	—	2.4	0.0	2.4	0.0
	Promotion and Mutual Aid Corporation for Private Schools of Japan	51,305	0.1	35,420	0.1	23,136	0.1	14,228	0.1	70.2	0.2	70.2	0.2
	Japan Small and Medium Enterprise Corporation	20,909	0.1	—	—	—	—	—	—	24.5	0.1	24.5	0.1
	Organization for Small & Medium Enterprises and Regional Innovation, Japan	—	—	42,840	0.1	8,923	0.0	7,125	0.0	—	—	—	—
	Japan Highway Public Corporation	7,438,395	20.4	6,125,124	18.6	—	—	—	—	8,485.0	21.2	8,485.0	21.2
	Metropolitan Expressway Public Corporation	1,455,947	4.0	1,177,824	3.6	—	—	—	—	1,770.9	4.4	1,770.9	4.4
	Hanshin Expressway Public Corporation	1,236,432	3.4	1,093,488	3.3	—	—	—	—	1,485.6	3.7	1,485.6	3.7
	Honshu-Shikoku Bridges Authority	73,381	0.2	73,398	0.2	—	—	—	—	886.6	2.2	886.6	2.2
	Japan Expressway Holding and Debt Repayment Agency	—	—	—	—	6,718,921	23.0	4,902,436	18.9	—	—	—	—
	Japan Railway Construction Public Corporation	—	—	—	—	—	—	—	—	122.7	0.3	122.7	0.3
	Japan Water Agency	164,189	0.4	113,163	0.3	97,752	0.3	80,340	0.3	208.0	0.5	208.0	0.5
	Japan National Oil Corporation	—	—	—	—	—	—	—	—	31.6	0.1	31.6	0.1
	Postal Life Insurance Welfare Corporation	—	—	—	—	—	—	—	—	1.0	0.0	1.0	0.0
	Tokyo Metro Co., Ltd.	90,087	0.2	59,123	0.2	44,388	0.2	29,822	0.1	108.0	0.3	108.0	0.3
	Narita International Airport Corporation	97,216	0.3	64,662	0.2	58,479	0.2	47,369	0.2	126.9	0.3	126.9	0.3
	Electric Power Development Company	131,074	0.4	88,949	0.3	55,896	0.2	26,395	0.1	152.1	0.4	152.1	0.4
	Loans to Postal Service	192,614	0.5	169,317	0.5	147,800	0.5	128,818	0.5	—	—	—	—
	Local governments	19,116,552	52.3	19,364,544	58.7	19,124,953	65.4	19,049,756	73.5	18,991.1	47.6	18,991.1	47.6
	Total	36,525,297	100.0	32,962,223	100.0	29,244,255	100.0	25,921,513	100.0	39,930.8	100.0	39,930.8	100.0

Note 1: Japan National Oil Corporation bonds were taken over by the government (Special Account for Measures to Cope with the More Sophisticated Demand Structure of Petroleum and Energy) on April 1, 2003.

Note 2: Honshu-Shikoku Bridges Authority loans and some bonds were taken over by the government (General Account) on May 12, 2003.

Note 3: Loans to Postal Services Special Account and to Postal Life Insurance Welfare Corporation (a portion relating to more efficient land usage) were taken over by Japan Post (loans to Postal Service) on April 1, 2003.

Note 4: Employment and Human Resources Development Organization bonds were taken over by the Employment and Human Resources Development Organization of Japan on March 1, 2004.

Note 5: Corporation for Advanced Transport & Technology loans and bonds and Japan Railway Construction Public Corporation bonds were taken over by Independent Administrative Corporation, Japan Railway Construction, Transport and Technology Agency on October 1, 2003.

Note 6: With the transfer of operations to local government bodies, Japan Sewage Works Agency loans were taken over by local government bodies on March 31, 2004.

Note 7: Water Resources Development Corporation loans and bonds were taken over by Independent Administrative Corporation, Japan Water Agency on October 1, 2003.

Note 8: Urban Development Corporation loans and bonds were taken over by Urban Renaissance Agency on July 1, 2004.

Note 9: Japan Environment Corporation loans were taken over by Environmental Restoration and Conservation Agency on April 1, 2004.

Note 10: Teito Rapid Transit Authority loans and bonds were taken over by Tokyo Metro Co., Ltd. on April 1, 2004.

Note 11: Japan Regional Development Corporation loans and bonds were taken over by Urban Renaissance Agency, and Organization for Small & Medium Enterprises and Regional Innovation on July 1, 2004.

Note 12: Japan Small and Medium Enterprise Corporation bonds were taken over by Organization for Small & Medium Enterprises and Regional Innovation on July 1, 2004.

Note 13: New Tokyo International Airport Authority loans and bonds were taken over by Narita International Airport Corporation on April 1, 2004.

Note 14: Japan Highway Public Corporation, Metropolitan Expressway Public Corporation, Hanshin Expressway Public Corporation, and Honshu-Shikoku Bridges Authority loans and bonds were taken over by Japan Expressway Holding and Debt Repayment Agency on October 1, 2005.

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(4) PROPORTIONS OF FOREIGN BONDS BY CURRENCY AND REGION (POSTAL SAVINGS SERVICE)

■ Proportion by Currency

Unit: million yen, %

Category	End of FY 2005		End of FY 2006	
	Amount invested	Percentage	Amount invested	Percentage
U.S. dollars	1,175,684	37.4	733,625	26.8
Euro	1,614,307	51.4	1,623,419	59.4
Japanese yen	133,112	4.2	99,987	3.7
Canadian dollars	99,527	3.2	147,377	5.4
British pounds	118,347	3.8	128,402	4.7
Total	3,140,979	100.0	2,732,813	100.0

■ Proportion by Region

Unit: million yen, %

Category	End of FY 2005		End of FY 2006	
	Amount invested	Percentage	Amount invested	Percentage
North America	1,173,773	37.4	739,707	27.1
America	1,018,835	32.4	568,138	20.8
Canada	154,937	4.9	171,569	6.3
Europe	1,761,270	56.1	1,819,418	66.6
Germany	724,941	23.1	812,338	29.7
Italy	231,667	7.4	208,634	7.6
France	369,539	11.8	352,507	12.9
Spain	100,497	3.2	103,224	3.8
U.K.	106,295	3.4	120,370	4.4
Other	228,328	7.3	222,343	8.1
International institutions	205,936	6.6	173,687	6.4
Total	3,140,979	100.0	2,732,813	100.0

(5) OVERSEAS LOANS AND INVESTMENT (POSTAL LIFE INSURANCE SERVICE)

■ Proportion by Assets

Unit: million yen, %

Category		End of FY 2003		End of FY 2004		End of FY 2005		End of FY 2006	
		Amount invested	Percentage	Amount invested	Percentage	Amount invested	Percentage	Amount invested	Percentage
Foreign currency dominated assets	Bonds	1,031,230	64.5	1,096,141	70.0	1,431,644	77.0	1,785,909	89.1
	Cash and deposits, others	—	—	—	—	—	—	—	—
	Sub-total	1,031,230	64.5	1,096,141	70.0	1,431,644	77.0	1,785,909	89.1
Foreign currency dominated assets with fixed yen value	Bonds	—	—	—	—	—	—	—	—
	Cash and deposits, others	—	—	—	—	—	—	—	—
	Sub-total	—	—	—	—	—	—	—	—
Yen dominated assets	Bonds (yen dominated foreign bonds)	568,121	35.5	468,698	30.0	427,581	23.0	218,705	10.9
Total		1,599,351	100.0	1,564,840	100.0	1,859,226	100.0	2,004,614	100.0

Note: Foreign currency dominated assets with fixed yen value are those which the yen value is fixed at the time of settlement through the use of foreign exchange contracts, and the same value is recorded in assets in the balance sheets.

■ Proportion by Region/Issuing Country

Unit: million yen, %

Country	Fiscal year-end	FY 2003		FY 2004		FY 2005		FY 2006	
		Amount invested	Percentage	Amount invested	Percentage	Amount invested	Percentage	Amount invested	Percentage
North America		415,599	26.1	447,189	28.7	588,042	31.7	760,139	38.0
America		415,599	26.1	447,189	28.7	588,042	31.7	760,139	38.0
Europe		896,174	56.2	813,385	52.1	961,643	51.8	1,017,745	50.8
Germany		395,986	24.8	424,498	27.2	528,680	28.5	596,315	29.8
France		149,368	9.4	128,680	8.2	162,897	8.8	222,402	11.1
U.K.		100,737	6.3	93,830	6.0	122,305	6.6	144,610	7.2
The Netherlands		41,598	2.6	41,242	2.6	40,164	2.2	39,814	2.0
Italy		31,861	2.0	19,557	1.3	12,954	0.7	12,588	0.6
Other countries		176,621	11.0	105,576	6.8	94,641	5.1	2,014	0.1
International institutions		283,234	17.8	299,981	19.2	305,356	16.5	224,616	11.2
Total		1,595,008	100.0	1,560,556	100.0	1,855,042	100.0	2,002,500	100.0

Reference

Unit: billion yen, %

Country	Fiscal year-end	FY 2002	
		Amount invested	Percentage
North America		343.3	24.9
America		244.7	17.8
Canada		98.6	7.2
Europe		772.9	56.1
Germany		318.6	23.1
France		102.9	7.5
Italy		65.6	4.8
Sweden		57.1	4.1
Other countries		228.7	16.6
Oceania		28.9	2.1
Asia		—	—
Central and South America		—	—
Africa		—	—
International institutions		231.5	16.8
Total		1,376.5	100.0

Note 1: Bonds issued by entities not residing in Japan (foreign bonds) are the targets of overseas fiscal loan investments.

Note 2: International institutions include International Bank for Reconstruction and Development (IBRD), European Investment Bank, American Development Bank, and Asian Development Bank.

■ Proportion by Currency

Unit: million yen, %

Currency	Fiscal year-end	FY 2003		FY 2004		FY 2005		FY 2006	
		Amount invested	Percentage	Amount invested	Percentage	Amount invested	Percentage	Amount invested	Percentage
Foreign currency denominated assets	US dollars	494,982	30.9	549,372	35.1	711,587	38.3	898,576	44.8
	Euro	421,744	26.4	438,094	28.0	577,183	31.0	712,631	35.5
	Pounds sterling	114,503	7.2	108,674	6.9	142,874	7.7	174,700	8.7
Foreign currency denominated assets subtotal		1,031,230	64.5	1,096,141	70.0	1,431,644	77.0	1,785,909	89.1
Yen denominated assets		568,121	35.5	468,698	30.0	427,581	23.0	218,705	10.9
Total		1,599,351	100.0	1,564,840	100.0	1,859,226	100.0	2,004,614	100.0

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Unit: billion yen, %

Fiscal year-end		FY 2002	
Currency		Amount invested	Percentage
Foreign currency denominated assets	US dollars	667.1	48.5
	of which fixed redemption volume	(350.9)	(25.5)
	Euro	313.1	22.7
	of which fixed redemption volume	—	—
	Canadian dollars	98.6	7.2
	of which fixed redemption volume	(1.3)	(0.1)
	Australian dollars	38.9	2.8
	of which fixed redemption volume	(31.6)	(2.3)
	Italian lira	—	—
	of which fixed redemption volume	—	—
	Pounds sterling	42.9	3.1
	Other currencies	10.7	0.8
	of which fixed redemption volume	(6.6)	(0.5)
Foreign currency denominated assets subtotal		1,171.4	85.1
of which fixed redemption volume		(390.5)	(28.4)
Yen denominated assets		205.1	14.9
Total		1,376.5	100.0

Note: The additional policy reserve is set aside for cases in which the original policy reserve that is based on calculations at the time of entry is not sufficient to compensate for deficiencies in insurance and other payments due to possible negative net worth.

3. Accounting Indicators

■ Policy Reserve

Unit: million yen

Account		End of FY 2002	End of FY 2003	End of FY 2004	End of FY 2005	End of FY 2006
Policy reserve (excluding contingency reserve)	Premium reserve	97,515,685	96,016,098	96,055,958	92,691,843	90,318,234
	(additional policy reserve)	(9,004,395)	(8,824,472)	(8,394,239)	(7,970,331)	(7,569,111)
	Unearned premium	18,703,319	18,047,810	17,380,929	17,078,815	15,699,075
	Subtotal	116,219,004	114,063,908	113,436,887	109,770,659	106,017,310
	Insurance	95,878,271	93,292,485	92,470,612	88,888,347	85,584,406
	Annuity insurance	20,340,732	20,771,422	20,966,275	20,882,312	20,432,903
Contingency reserve		814,036	814,036	844,438	1,724,466	2,700,387
Total		117,033,040	114,877,945	114,281,325	111,495,125	108,717,697

Note: The additional policy reserve is set aside for cases in which the original policy reserve that is based on calculations at the time of entry is not sufficient to compensate for deficiencies in insurance and other payments due to possible negative net worth.

2. Financial Data

Outline of Japan Post's Accounts System and Restructuring into Service Classifications

According to Article 29 of the Japan Postal Public Corporation Law, in which it is stipulated that Japan Post's accounts are to be based on standard business accounting practices, financial statements (balance sheet, statement of income, statement of cash flows, appended statements, etc.) will be prepared that, for example, evaluate securities according to classifications based on the purposes for which they are held.

Because Japan Post has Postal, Postal Savings, and Postal Life Insurance Services that have differing characteristics and objectives, we will not only prepare financial statements for the entire corporation, but in order to meet our obligations of accountability relating to each service area, we are required to clarify the financial positions and management results of each service through separate financial statements for each of these service areas. This will also make it possible to make comparisons with similar private-sector businesses.

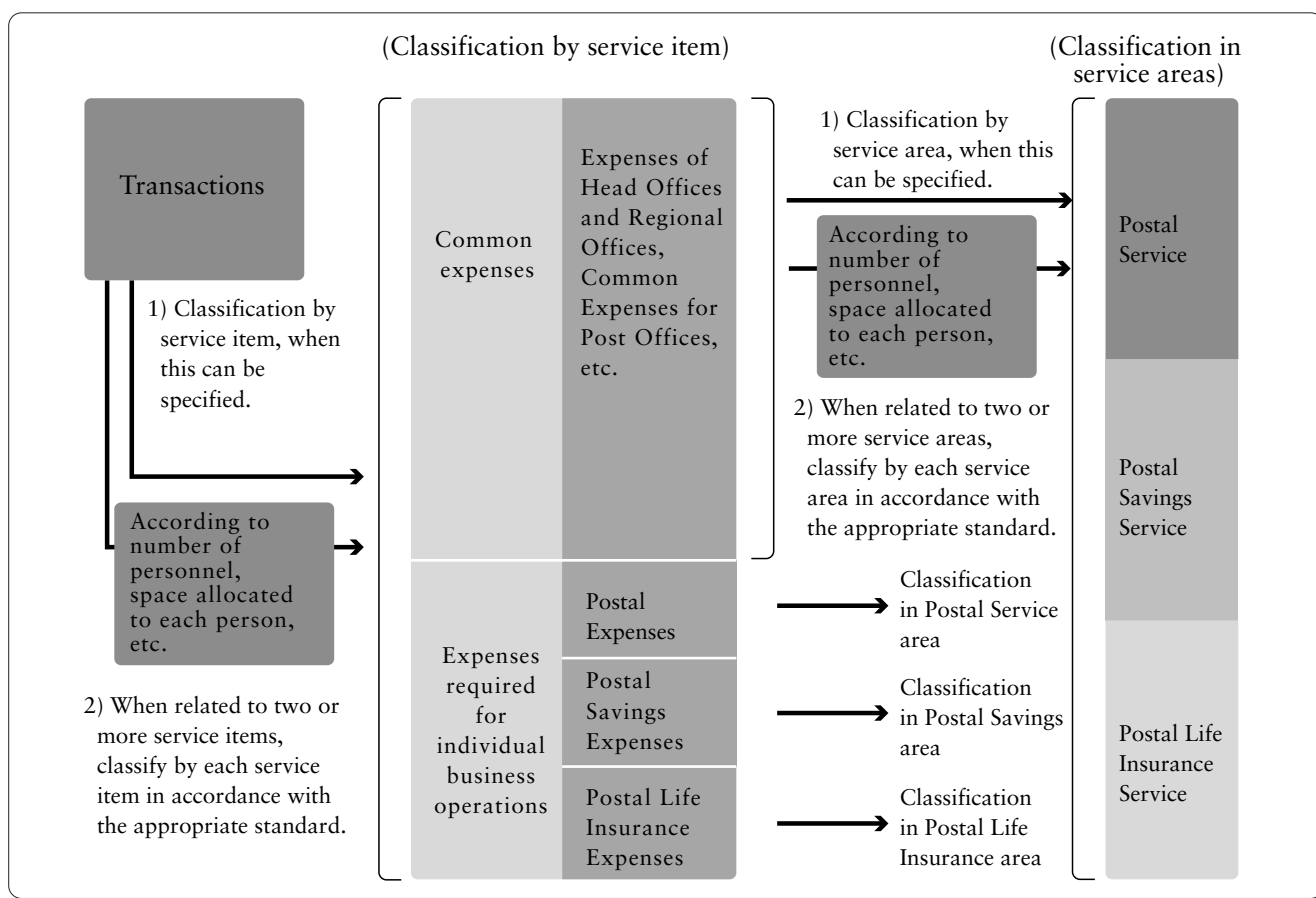
In order to provide appropriate financial information for each of the different services, appropriate standards are used for new acquisitions, assets, liabilities, and income and expenses generated in two or more of these service classifications, and these are included under their respective classifications.

The following provides further details on the format adopted for these service classifications:

1. Assets, liabilities and income that clearly belong to any of these service classifications will be included under the relevant service, and assets relating to two or more of these service areas are included under each classification according to the proportion of expenditure ratio, liability, and income generated for that purpose at the time of acquisition.
2. Expenses incurred directly in the operation of each service, such as the salaries of employees engaged in the Postal, Postal Savings and Postal Life Insurance Services provided by post offices, are included under the respective service classifications.
3. Expenses for management divisions such as the head office and regional offices and expenses for post offices for which the generation of such expenses is clearly attributable to one of the services (expenses incurred by Postal Business Headquarters, Postal Savings Business Headquarters, and Postal Life Insurance Business Headquarters at Japan Post's head office), are included under their respective classifications.

All other expenses are included under each service classification in appropriate and fair proportions according to criteria such as the ratio of employee working hours.

Furthermore, the financial statements for Japan Post as a whole and for each of the service areas are reviewed by independent auditors in addition to internal auditors, which ensures the appropriateness and objectivity of financial information, thereby enhancing the transparency of management.



SIGNIFICANT ACCOUNTING POLICIES

(1) Securities

- (a) Held-to-maturity debt securities
Stated at amortized cost (straight-line method) using the moving-average method.
- (b) Bonds classified as debt securities earmarked for policy reserves
Stated at amortized cost (straight-line method) using the moving-average method in accordance with Industry Audit Committee Report No. 21 “Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserves in Insurance Industry” issued by the Japanese Institute of Certified Public Accountants (“JICPA”).
- (c) Investments in subsidiaries and affiliates
Stated at cost using the moving-average method.
- (d) Available-for-sale securities
 - i Securities with fair market value
Stated at fair market value (the cost of securities sold is calculated using the moving-average method).
Net unrealized gains and losses on investments are reported as a separate component of capital.
 - ii Securities without fair market value
Stated at cost or amortized cost (straight-line method) using the moving-average method.

(2) Money held in trust

- (a) For trading purposes
Securities included in money held in trust for trading purposes are stated at fair market value.
- (b) For other purposes
 - i Securities with fair market value
Stated at fair market value (the cost of securities sold is calculated using the moving-average method).
Net unrealized gains and losses on investments are reported as a separate component of capital.
 - ii Securities without fair market value
Stated at cost or amortized cost (straight-line method) using the moving-average method.
The building portion of the premises which constitute the trust asset is valued after considering depreciation under the straight-line method.

(3) Inventories

- Stated at cost using the moving-average method.

(4) Premises and equipment

- (a) Premises and equipment
 - Buildings (excluding structure and equipment)
the straight-line method
 - Others
declining-balance method
- The useful lives of the major premises and equipment are as follows:
- | | |
|-------------------------------|------------|
| Buildings | 2-50 years |
| Structures | 3-75 years |
| Machinery and equipment | 5-17 years |
| Automotive equipment | 3- 7 years |
| Tools, furniture and fittings | 2-20 years |
- (b) Software
Amortized over the straight-line method over its estimated useful life of 5 years, which is included in other assets.

(5) Translation of foreign currencies

- Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year end.

(6) Reserves and allowances

- (a) Allowance for doubtful accounts
An allowance for doubtful accounts is provided for specifically identified doubtful accounts in the amount deemed uncollectable based on an assessment of each account, and for all other accounts based on the historical ratio of losses.
- (b) Reserve for employees' bonuses
A reserve for employees' bonuses is provided based on the estimated amounts to be paid, allocated over the period to which the bonuses are applicable.
- (c) Reserve for employees' retirement benefits
To provide for the payment of retirement benefits to employees, a reserve for employees' retirement benefits is established based on the estimated projected benefit obligations at the fiscal year ended.

The actuarial difference is amortized using the straight-line method over the estimated average remaining service lives (fourteen years) of employees commencing with the following period.

From the fiscal year ended March 31, 2005, the amortization period for the actuarial difference was changed from fifteen years to fourteen years based on a change in the estimated average remaining service lives of employees. The impact of this change is considered to be immaterial.

(d) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, a reserve for directors' retirement benefits is established based on the required amount under the liability of retirement benefits at the fiscal year end according to the internal corporate policy.

(7) Leases

Finance leases, excluding those leases that are considered to transfer the ownership of the leased properties to the lessees, are accounted for by a method similar to that used for operating leases.

(8) Hedge accounting

The Postal Life Insurance Service adopts assignment accounting or deferred hedge methods in the forward foreign exchange contract of foreign currency assets.

With respect to evaluation of hedge efficiency, Japan Post uses forward foreign exchange contracts with the same currencies, the same settlement dates and the same notional principals as the hedged assets. Thus the relationship between cashflows from the hedged assets and the hedging instruments is closely correlated. As a result, Japan Post deems its hedges to be highly effective.

(9) Derivative transactions

Derivative transactions are valued by the market value method. However, assignment accounting is used for transactions that meet the requirement for such accounting, such as forward foreign exchange contracts.

(10) 'Cash and cash equivalents'

'Cash and cash equivalents' in the statements of cash flows are composed of 'Cash and Deposits'.

(11) Others

(a) Policy reserves

Policy reserves are based on Article 34 of The Japan Post Law (Law No. 97 of 2002). Insurance reserves are recorded as the higher of the following calculations as required by the method stipulated by the Minister of Public Management, Home Affairs, Post and Telecommunications (Notification No. 82 by Ministry of Public Management, Home Affairs, Post and Telecommunications (MPHPT) of 2003):

- i The amount calculated at the end of the fiscal year based on the calculation method instruction statement on the policy reserves for a postal life insurance (net level premium method).
- ii The present value amount which is deemed necessary based on the future income and expenditure of the postal life insurance contracts owned at the end of the current accounting period.

Any amendment to the calculation method instruction statement for postal life insurance, which is the basis for recording policy reserves at the end of the current fiscal year, is required to be approved by the Minister of Public Management, Home Affairs, Post and Telecommunications.

(b) The policyholders' dividend reserve

The policyholders' dividend reserve is a reserve based on Article 28 of The Enforcement Ordinance of the Japan Post Law (Ministerial Ordinance No. 4 of 2003 by MPHPT) and is recorded in accordance with the calculation method instruction statement for postal life insurance (including the policyholders' dividend which will be paid out in the following fiscal year).

(c) The reserve for price fluctuation

The amount of the reserve for price fluctuation is recorded pursuant to the provisions of Article 32 of The Japan Post Law (Law No. 97 of 2002).

Incidentally, any unmaintained portion of the reserve for price fluctuation is required to be approved by the Minister of Public Management, Home Affairs, Posts and Telecommunications.

(d) Accounting policies for consumption tax and local consumption tax

Amounts are recorded exclusive of tax.

(12) Subsequent event

Since Japan Post will be privatized according to the Law of the Privatization of the Postal Services (2005, Law No. 97), Japan Post reached an agreement with government agencies, etc. as of April 23, 2007 on expenses on the pension benefits for the service period in and before December 1958 of those who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "adjustment resources"), which are included in expenses on the retirement mutual aid welfare pension of national public service personnel. Under the agreement, the expenses to be borne will be limited to expenses that occur in and after fiscal 2007 regarding former postal service personnel and their surviving families. Since it has become possible to rationally estimate liabilities concerning the said adjustment resources, we will calculate and post such liabilities in the settlement of accounts for fiscal 2007, including them in reserve for employees' retirement benefits.

We are now carefully examining the influence of the scoring of the liabilities on the settlement of accounts for fiscal 2007.

Financial Statements of Japan Post as a Whole

NON-CONSOLIDATED BALANCE SHEETS (JAPAN POST AS A WHOLE)

	Unit: million yen	
	As of March 31, 2006	As of March 31, 2007
Assets		
Cash and deposits	8,962,312	6,802,350
Call loans	467,200	1,304,600
Receivable under resale agreements	159,478	119,893
Monetary receivables purchased	59,994	29,989
Money held in trust	12,473,019	9,502,506
Securities	237,092,999	249,235,118
Deposits to the fiscal loan fund	79,896,900	52,243,500
Loans	26,525,309	26,090,419
Premises and equipment, net	3,011,696	2,865,249
Other assets	853,110	1,636,868
Allowance for doubtful accounts	(20,667)	(12,011)
Total assets	369,481,352	349,818,485
Liabilities		
Postal savings	198,094,934	185,822,575
Policy reserves	115,907,217	113,108,840
Borrowings	33,200,000	28,200,000
Other liabilities	9,626,542	9,378,853
Reserve for employees' bonuses	126,895	120,983
Reserve for employees' retirement benefits	2,681,991	2,428,117
Reserve for directors' retirement benefits	78	102
Reserve for price fluctuations	577,324	626,501
Total liabilities	360,214,984	339,685,974
Capital		
Capital	1,268,807	1,268,807
Government investment in capital	1,268,807	1,268,807
Retained earnings	5,472,853	6,415,420
Reserve fund	3,539,735	5,472,853
Net income	1,933,117	942,567
Net unrealized gains on securities	2,524,706	2,448,282
Total capital	9,266,367	10,132,510
Total liabilities and capital	369,481,352	349,818,485

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NON-CONSOLIDATED STATEMENTS OF INCOME (JAPAN POST AS A WHOLE)

Unit: million yen

Item	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Ordinary income	23,061,299	19,604,064
Postal Service income	1,880,914	1,881,663
Postal Savings Service income	4,526,533	3,053,819
Postal Life Insurance Service income	16,653,851	14,668,582
Ordinary expenses	20,394,325	18,304,699
Operating expenses	17,689,538	15,640,070
Personnel expenses	2,438,244	2,421,622
Taxes and dues	36,867	40,167
Depreciation	224,342	198,406
Other expenses	5,333	4,432
Net ordinary income	2,666,974	1,299,365
Special gains	26,604	27,459
Gain on sale of premises and equipment	19,151	9,291
Gain on adjustment to income and losses in the previous year	3,404	1,295
Gain on reversal of allowance for doubtful accounts	2,427	4,584
Tax reimbursement related to fund management	4	5,610
Gain on reduction or exemption of special land holding tax, etc.	—	3,992
Other special gains	1,616	2,684
Special losses	610,180	206,836
Loss on disposal of premises and equipment	18,390	18,736
Loss on impairment of fixed assets	229,049	77,514
Provision for reserve for price fluctuations	51,864	49,176
Loss on transfer of shares of Japan Post	300,000	—
Loss on adjustment to income and losses in the previous year	5,093	26,593
Expenses of the head office, etc. for the preparation of privatization	—	21,406
Other special losses	5,782	13,408
Provision for policyholders' dividend reserve	150,280	177,420
Net income	1,933,117	942,567

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS (JAPAN POST AS A WHOLE)

Unit: million yen

Item	FY 2005 As of March 31, 2006	FY 2006 As of March 31, 2007
Unappropriated retained earnings at end of period	1,933,117	942,567
Net income	1,933,117	942,567
Appropriation of retained earnings	1,933,117	942,567
Reserve fund	1,933,117	942,567

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (JAPAN POST AS A WHOLE)

Unit: million yen

	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Cash flows from operating activities		
Net income	1,933,117	942,567
Gain on adjustment to income and losses in the previous year	(3,404)	(1,295)
Loss on adjustment to income and losses in the previous year	5,093	26,593
Depreciation	224,648	198,752
Loss on impairment of fixed assets	229,049	77,514
Loss on transfer of shares of Japan Post	300,000	—
Net change in policy reserves	(2,371,435)	(2,409,444)
Net change in allowance for doubtful accounts	(2,672)	(8,656)
Net change in reserve for employees' bonuses	(3,282)	(5,912)
Net change in reserve for employees' retirement benefits	(45,799)	(253,874)
Net change in reserve for directors' retirement benefits	5	23
Net change in reserve for price fluctuations	51,864	49,176
Net gains (losses) investing activities	(5,725,967)	(4,321,285)
Net gains (losses) from disposal of premises and equipment	(740)	9,465
Net gains change in loans	(486,542)	(100,094)
Net gains change in postal savings	(12,813,684)	(12,272,358)
Net gains change in borrowings	(5,000,000)	(5,000,000)
Interest received	3,520,731	2,505,124
Interest paid	(2,627,944)	(1,707,605)
Other, net	625,347	(387,973)
Subtotal	(22,191,614)	(22,659,282)
Interest and dividends received	2,106,005	1,760,917
Interest paid	(116)	(22)
Dividend payment to insurance policyholders	(409,246)	(387,374)
Investment in Japan Post	(300,000)	—
Net cash used in operating activities	(20,794,971)	(21,285,761)
Cash flows from investing activities		
Purchases of monetary receivables purchased	(380,977)	(444,928)
Proceeds from sale and redemption of monetary receivables purchased	452,000	475,000
Proceeds from redemption of deposits to the fiscal loan fund	37,715,000	27,653,400
Purchases of securities	(90,447,584)	(99,628,747)
Proceeds from sale of securities	4,584,242	6,702,397
Proceeds from redemption of securities	64,920,767	80,536,960
Proceeds from sale of money held in trust	3,396,808	3,358,930
Investment in loans	(3,649,589)	(3,046,989)
Collection of loans	4,769,479	3,581,973
Purchases of premises and equipment	(57,640)	(97,689)
Proceeds from sale of premises and equipment	43,495	29,566
Other, net	(227,256)	9,459
Net cash provided by investing activities	21,118,744	19,129,332
Cash flows from financing activities		
Repayment of lease obligations	(4,245)	(3,978)
Net cash used in financing activities	(4,245)	(3,978)
Effect of exchange rate changes on cash and cash equivalents	595	444
Net increase (or decrease) in cash and cash equivalents	320,124	(2,159,961)
Cash and cash equivalents at the beginning of the year	8,642,188	8,962,312
Cash and cash equivalents at the end of the year	8,962,312	6,802,350

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NON-CONSOLIDATED BALANCE SHEETS (POSTAL SERVICE)

Unit: million yen

	As of March 31, 2006	As of March 31, 2007
Assets		
Current assets		
Cash and deposits	203,746	316,862
Accounts receivable - trade	113,212	118,932
Inventories	3,873	2,496
Prepaid expenses	549	1,210
Accounts receivable - other	5,602	5,628
Other current assets	464	231
Allowance for doubtful accounts	(171)	(161)
Total current assets	327,276	445,198
Fixed assets		
Tangible fixed assets		
Automotive equipment	9,694	10,042
Accumulated depreciation	(5,746)	(7,354)
Buildings	979,837	982,340
Accumulated depreciation	(162,386)	(209,161)
Structures	34,292	35,296
Accumulated depreciation	(9,487)	(12,171)
Machinery and equipment	80,099	80,367
Accumulated depreciation	(36,544)	(42,962)
Tools, furniture and equipment	55,482	73,141
Accumulated depreciation	(35,724)	(36,591)
Land	915,622	907,015
Construction in progress	3,154	2,873
Total tangible fixed assets	1,828,292	1,782,835
Intangible fixed assets		
Leaseholds	111	111
Telephone subscription rights	453	447
Software	7,265	8,662
Other intangible assets	4,552	6,627
Total intangible assets	12,382	15,849
Investments and other assets		
Shares in affiliates	849	891
Long-term prepaid expenses	470	284
Other investments and other assets	5,106	1,622
Allowance for doubtful accounts	(4,903)	(1,318)
Total investments and other assets	1,524	1,480
Total fixed assets	1,842,199	1,800,165
Total assets	2,169,476	2,245,364

	As of March 31, 2006	As of March 31, 2007
Liabilities		
Current liabilities		
Accounts payable - trade	47,254	46,397
Short-term borrowings from other business segments of Japan Post	211,000	360,000
Current portion of long-term borrowings from other business segments of Japan Post	18,982	16,838
Accounts payable - other	133,962	256,580
Accrued expenses	8,397	7,825
Advances received	620	420
Postage received in advance	47,236	44,494
Deposits received	471,044	449,373
Contribution money from postcards with donations	771	705
Reserve for employees' bonuses	70,546	66,793
Other current liabilities	24,168	34,205
Total current liabilities	1,033,983	1,283,632
Long-term liabilities		
Long-term borrowings from other business segments of Japan Post	128,818	111,980
Deposits received	3,361	2,661
Reserve for employees' retirement benefits	1,505,084	1,362,171
Reserve for directors' retirement benefits	26	34
Reserve for reimbursement for Fumi Cards	5,502	3,020
Other long-term liabilities	13,576	865
Total long-term liabilities	1,656,368	1,480,733
Total liabilities	2,690,352	2,764,366
Capital		
Difference from assets and liabilities at the time of establishment of Japan Post	(578,220)	(578,220)
Retained earnings	57,344	59,217
Reserve fund	54,663	57,344
Net income	2,680	1,873
Total capital	(520,875)	(519,002)
Total liabilities and capital	2,169,476	2,245,364

NON-CONSOLIDATED STATEMENTS OF INCOME (POSTAL SERVICE)

Unit: million yen

Item	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Operating income	1,909,003	1,913,444
Operating costs	1,792,324	1,785,994
Gross margin	116,679	127,449
Selling, general and administrative expenses	101,928	99,460
Personnel expenses	54,458	54,194
(Provision for reserve for employees' bonuses)	3,093	3,415
(Expenses for employees' retirement benefits)	4,098	4,079
(Provision for reserve for Officers' retirement benefits)	8	9
Depreciation	11,090	11,084
Advertising expenses	9,808	7,523
Taxes and dues	6,780	6,604
Provision for allowance for doubtful accounts	241	27
Others	19,549	20,026
Net operating income	14,751	27,989
Non-operating income	9,319	8,179
Interest income	0	0
Income from rental property	5,670	5,687
Income from compensation payment for damages	1,212	1,171
Other non-operating revenues	2,436	1,321
Non-operating expenses	8,903	7,313
Interest expenses	7,256	6,493
Other non-operating expenses	1,647	819
Net ordinary income	15,167	28,856
Special gains	12,945	6,023
Gain on adjustment to income and losses in the previous year	3,405	530
Gain on sale of fixed assets	8,565	3,016
Gain on return of reserve for reimbursement for Fumi Cards	—	2,377
Other special gains	975	98
Special losses	25,432	33,006
Loss on adjustment to income and losses in the previous year	4,791	2,208
Loss on sale of fixed assets	225	1,884
Loss on disposal of fixed assets	8,046	6,315
Loss on impairment of fixed assets	6,866	5,444
Expenses of the head office, etc. for the preparation of privatization	—	10,508
Compensation expenses for the purchase of rented postal offices	—	5,042
Other special losses	5,502	1,603
Net income	2,680	1,873

NON-CONSOLIDATED STATEMENTS OF OPERATING COSTS (POSTAL SERVICE)

Unit: million yen

Item	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Personnel costs	1,369,430	1,370,543
(Provision for reserve for employees' bonuses)	67,452	63,377
(Expenses for employees' retirement benefits)	95,372	90,692
Other costs		
Fuel costs	7,723	8,690
Automotive repair costs	6,235	5,873
Procurement costs for stamps and postcards	10,995	10,659
Depreciation	67,729	62,861
Rental expenses	27,078	25,410
Taxes and dues	2,123	1,905
Fees for entrusting collection and delivery	184,412	180,694
Handling costs	29,076	28,913
Other	87,517	90,442
Total costs	422,893	415,451
Total operating costs	1,792,324	1,785,994

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (POSTAL SERVICE)

Unit: million yen

	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Cash flows from operating activities		
Net income	2,680	1,873
Gain on adjustment to income and losses in the previous year	(3,405)	(530)
Loss on adjustment to income and losses in the previous year	4,791	2,208
Depreciation	79,127	74,292
Loss on impairment of fixed assets	6,866	5,444
Net change in allowance for doubtful accounts	50	(3,594)
Net change in reserve for employees' bonuses	(2,366)	(3,753)
Net change in reserve for employees' retirement benefits	(26,851)	(142,912)
Net change in reserve for directors' retirement benefits	1	7
Net change in reserve for reimbursement for Fumi Cards	5,502	(2,482)
Interest income	(0)	(0)
Interest expenses	7,256	6,493
Gain on sale of tangible fixed assets	(8,565)	(3,016)
Loss on sale of tangible fixed assets	226	1,886
Loss on disposal of tangible fixed assets	8,031	6,258
Net change in accounts receivable – trade	3,182	(2,265)
Net change in inventories	2,616	1,377
Net change in accounts payable – trade	13	(857)
Net change in accrued payables – other	25,876	117,013
Net change in deposits received	26,280	(22,370)
Net change in accrued consumption tax	6,646	1,822
Other, net	(5,977)	(7,178)
Subtotal	131,985	29,715
Interest received	0	0
Interest paid	(7,354)	(6,566)
Net cash provided by operating activities	124,631	23,149
Cash flows from investing activities		
Purchases of shares in affiliates	(849)	(42)
Purchases of tangible fixed assets	(21,414)	(38,183)
Proceeds from sales of tangible fixed assets	18,509	8,831
Other, net	(6,858)	(6,682)
Net cash used in investing activities	(10,612)	(36,076)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,085,000	2,365,000
Repayment of short-term borrowings	(2,153,000)	(2,216,000)
Repayment of long-term borrowings	(21,517)	(18,982)
Repayment of lease obligations	(4,212)	(3,975)
Net cash used in financing activities	(93,729)	126,042
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase in cash and cash equivalents	20,289	113,115
Cash and cash equivalents at the beginning of the year	183,456	203,746
Cash and cash equivalents at the end of the year	203,746	316,862

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Financial Statements of Postal Savings Service

NON-CONSOLIDATED BALANCE SHEETS (POSTAL SAVINGS SERVICE)

Unit: million yen

	As of March 31, 2006	As of March 31, 2007
Assets		
Cash and deposits	6,833,580	5,377,477
Call loans	100,000	1,000,000
Receivables under resale agreements	159,478	119,893
Money held in trust	3,321,309	1,927,293
Securities	152,241,530	165,016,502
Deposits to the fiscal loan fund	79,896,900	52,243,500
Loans	4,126,964	4,376,059
Other assets	414,863	943,608
Premises and equipment, net	669,332	633,523
Allowance for doubtful accounts	(14,181)	(9,618)
Total assets	247,749,777	231,628,239
Liabilities		
Postal money orders	9,825	9,732
Postal giro	5,800,599	6,124,997
Postal savings	198,094,934	185,822,575
Borrowings	33,200,000	28,200,000
Other liabilities	2,975,828	2,428,091
Reserve for employees' bonuses	33,906	33,219
Reserve for directors' bonuses	15	17
Reserve for employees' retirement benefits	655,971	595,088
Reserve for directors' retirement benefits	26	34
Total liabilities	240,771,107	223,213,756
Capital		
Difference of assets and liabilities at the time of establishment of Japan Post ...	1,804,415	1,804,415
Retained earnings	5,415,509	6,356,202
Reserve fund	3,485,071	5,415,509
Net income	1,930,437	940,693
Net unrealized losses on securities	(241,254)	253,863
Total capital	6,978,669	8,414,482
Total liabilities and capital	247,749,777	231,628,239

NON-CONSOLIDATED STATEMENTS OF INCOME (POSTAL SAVINGS SERVICE)

Unit: million yen

	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Ordinary income	4,531,512	3,058,909
Interest income	3,134,103	2,816,772
Fees and commissions	102,855	120,005
Other operating income	1,264,903	98,274
Other ordinary income	29,650	23,856
Ordinary expenses	2,199,780	2,081,530
Interest expenses	1,151,770	907,364
Fees and commissions	16,944	18,195
Other operating expenses	46,578	157,485
General and administrative expenses	979,842	994,170
Other ordinary expenses	4,644	4,314
Net ordinary income	2,331,732	977,378
Special gains	5,919	12,802
Gain on disposal of premises and equipment	3,158	4,272
Gain on bad debt recovered	63	81
Gain on adjustment to income and losses in the previous year	—	1,733
Gain on return of allowance for doubtful accounts	2,427	4,162
Tax reimbursement related to fund management	4	2,476
Other special gains	265	75
Special losses	407,213	49,487
Loss on disposal of premises and equipment	7,478	8,001
Loss on impairment of fixed assets	99,586	26,580
Loss on transfer of shares of Japan Post	300,000	—
Loss on adjustment to income and losses in the previous year	138	3,701
Expenses of the head office, etc. for the preparation of privatization	—	8,910
Other special losses	10	2,292
Net income	1,930,437	940,693

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NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (POSTAL SAVINGS SERVICE)

Unit: million yen

	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Cash flows from operating activities		
Net income	1,930,437	940,693
Gain on adjustment to income and losses in the previous year	—	(1,733)
Loss on adjustment to income and losses in the previous year	138	3,701
Depreciation	97,592	90,640
Loss on impairment of fixed assets	99,586	26,580
Loss on transfer of shares of Japan Post	300,000	—
Net change in allowance for doubtful accounts	(2,819)	(4,562)
Net change in reserve for employees' bonuses	(109)	(687)
Net change in reserve for directors' bonuses	(0)	2
Net change in reserve for employees' retirement benefits	(9,068)	(60,882)
Net change in reserve for directors' retirement benefits	1	7
Interest income	(3,134,103)	(2,816,772)
Interest expense	1,151,770	907,364
Net gain on securities	39,354	148,904
Gain on money held in trust	(1,240,260)	(55,988)
Foreign exchange gains (losses), net	(2,981)	(29,672)
Net loss on disposal of premises and equipment	4,319	3,728
Net change in loans	(418,542)	(249,094)
Net change in postal money orders	(454)	(93)
Net change in postal giro	606,668	324,397
Net change in postal savings	(12,813,684)	(12,272,358)
Net change in borrowings	(5,000,000)	(5,000,000)
Net change in call loans, bills bought and receivables under resale agreements	50,428	(860,415)
Interest received	3,520,733	2,505,639
Interest paid	(2,627,944)	(1,707,605)
Other, net	(108,404)	212,603
Subtotal	(17,557,340)	(17,895,601)
Investment in Japan Post	(300,000)	—
Net cash used in operating activities	(17,857,340)	(17,895,601)
Cash flows from investing activities		
Proceeds from redemption of deposits to the fiscal loan fund	37,715,000	27,653,400
Purchases of securities	(70,374,649)	(79,004,810)
Proceeds from sale of securities	1,276,413	5,204,037
Proceeds from redemption of securities	48,717,449	61,206,428
Proceeds from sale of money held in trust	1,307,015	1,450,005
Purchases of premises and equipment	(29,065)	(52,858)
Proceeds from sale of premises and equipment	8,650	11,332
Other, net	(18,632)	(28,477)
Net cash provided by investing activities	18,602,181	16,439,056
Cash flows from financing activities		
Repayment of lease obligations	(19)	(1)
Net cash used in financing activities	(19)	(1)
Effect of exchange rate changes on cash and cash equivalents	595	444
Net increase (decrease) in cash and cash equivalents	745,417	(1,456,102)
Cash and cash equivalents at the beginning of the year	6,088,163	6,833,580
Cash and cash equivalents at the end of the year	6,833,580	5,377,477

Financial Statements of Postal Life Insurance Service

NON-CONSOLIDATED BALANCE SHEETS (POSTAL LIFE INSURANCE SERVICE)

Unit: million yen

	As of March 31, 2006	As of March 31, 2007
Assets		
Cash and deposits	1,946,793	1,122,361
Call loans	367,200	304,600
Monetary receivables purchased	59,994	29,989
Money held in trust	9,151,709	7,575,213
Securities	84,850,618	84,217,724
Loans	22,757,144	22,203,178
Premises and equipment, net	515,220	450,128
Other assets	315,069	709,018
Allowance for doubtful accounts	(1,411)	(912)
Total assets	119,962,339	116,611,301
Liabilities		
Policy reserves	115,907,217	113,108,840
Other liabilities	125,835	147,084
Reserve for employees' bonuses	22,426	20,952
Reserve for employees' retirement benefits	520,936	470,857
Reserve for directors' retirement benefits	26	34
Reserve for price fluctuations	577,324	626,501
Total liabilities	117,153,766	114,374,271
Capital		
Difference from assets and liabilities at the time of establishment of Japan Post	42,612	42,612
Retained earnings	—	—
Net income	—	—
Net unrealized gains on securities	2,765,961	2,194,418
Total capital	2,808,573	2,237,030
Total liabilities and capital	119,962,339	116,611,301

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NON-CONSOLIDATED STATEMENTS OF INCOME (POSTAL LIFE INSURANCE SERVICE)

Unit: million yen

	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Ordinary income	16,672,183	14,726,107
Insurance premiums	11,231,839	9,245,093
Investment income	2,586,900	2,599,525
Other ordinary income	2,853,443	2,881,488
Ordinary expenses	16,352,110	14,431,944
Insurance claims and other insurance payments	15,444,460	13,536,888
Provision for reserve for insurance contracts	264,484	167,687
Investment expenses	38,023	118,477
Operating expenses	546,104	563,582
Other ordinary expenses	59,037	45,307
Net ordinary income	320,073	294,163
Special gains	7,780	10,951
Gain on disposal of premises and equipment	7,427	2,003
Gain on adjustment to income and losses in the previous year	36	1,341
Tax return on investment	—	3,133
Gains on tax exemptions for extraordinary land holdings	—	3,992
Other special gains	315	480
Special losses	177,572	127,693
Loss on disposal of premises and equipment	2,743	2,634
Loss on impairment of fixed assets	122,596	45,489
Provision for reserve for price fluctuations	51,864	49,176
Loss on adjustment to income and losses of the previous year	200	22,992
Other special losses	167	7,400
Provision for policyholders' dividend reserve	150,280	177,420
Net income	—	—

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NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (POSTAL LIFE INSURANCE SERVICE)

Unit: million yen

	For the fiscal year ended March 31, 2006	For the fiscal year ended March 31, 2007
Cash flows from operating activities		
Net income	—	—
Gain on adjustment to income and losses in the previous year	(36)	(1,341)
Loss on adjustment to income and losses of the previous year	200	22,992
Depreciation	47,928	33,820
Loss on impairment of fixed assets	122,596	45,489
Net change in reserve for outstanding claims	243,462	167,892
Net change in reserve for insurance contracts	(2,786,200)	(2,777,428)
Provision for accumulated interest of policyholders' dividends	21,021	22,670
Provision for policyholders' dividend reserve	150,280	177,420
Net change in allowance for doubtful accounts	97	(499)
Net change in reserve for employees' bonuses	(806)	(1,474)
Net change in reserve for employees' retirement benefits	(9,879)	(50,078)
Net change in reserve for directors' retirement benefits	1	7
Net change in reserve for price fluctuations	51,864	49,176
Interest, dividends and other income	(1,542,839)	(1,562,833)
Gain on money held in trust	(1,030,295)	(1,029,353)
Net loss on securities	26,237	116,274
Foreign exchange losses, net	9	(5,679)
Net loss on disposal of premises and equipment	(4,750)	617
Net change in other assets (excluding assets related to investing and financing activities)	(583)	(149,633)
Net change in other liabilities (excluding assets related to investing and financing activities)	17,836	16,178
Other, net	(2,561)	(23,771)
Subtotal	(4,696,415)	(4,949,551)
Interest, dividends and other income received	2,113,240	1,766,946
Dividend payment to insurance policyholders	(409,246)	(387,374)
Net cash used in operating activities	(2,992,420)	(3,569,979)
Cash flows from investing activities		
Purchase of call loans	(2,070,300)	(6,122,800)
Proceeds from redemption of call loans	1,878,000	6,185,400
Purchase of monetary receivables purchased	(380,977)	(444,928)
Proceeds from sale and maturity of monetary receivables purchased	452,000	475,000
Proceeds from sales of money held in trust	2,089,792	1,908,925
Payments for purchases of securities	(20,072,084)	(20,623,895)
Proceeds from sale and redemption of securities	19,511,147	20,828,891
Purchases of receivables under resale agreements	(388,988)	—
Proceeds from collection of receivables under resale agreements	388,988	—
Investments in loans	(3,649,589)	(3,046,989)
Collection of loans	4,790,996	3,600,955
Other, net	(17)	64
Subtotal	2,548,967	2,760,624
(Net cash used in operating activities + subtotal)	(443,453)	(809,355)
Purchases of premises and equipment	(7,760)	(6,692)
Proceeds from sale of premises and equipment	16,799	9,394
Other, net	(9,355)	(17,776)
Net cash provided by investing activities	2,548,651	2,745,548
Cash flows from financing activities		
Repayment of lease obligations	(13)	(1)
Net cash used in financing activities	(13)	(1)
Effect of exchange rate changes on cash and cash equivalents	—	—
Net decrease in cash and cash equivalents	(443,782)	(824,431)
Cash and cash equivalents at the beginning of the year	2,390,576	1,946,793
Cash and cash equivalents at the end of the year	1,946,793	1,122,361

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3. Service Hours/Inquiries

1. Service Hours

(1) POSTAL SERVICE

■ Business Hours of Service Windows

Day	Post offices that deliver mail	Post offices that do not deliver mail
Monday to Friday	09:00 - 19:00 (09:00 - 17:00 at some post offices)	09:00 - 17:00
Saturdays	Closed (Some post offices are open from 09:00 to 17:00 and others from 09:00 to 15:00.)	Closed
Sundays/14 holidays	Closed (09:00 - 12:30 at some post offices)	Closed

■ Service Windows Open on Saturdays, Sundays and Holidays

Post offices flexibly set business hours of their postal windows according to regional characteristics. For instance, some post offices located in front of stations that are crowded in the morning and evening extend business hours of postal windows by 30 minutes to one hour, while some post offices located near department stores, on the premises of stations and in tourists resorts and others open postal windows on Saturdays, Sundays and holidays, when public offices are closed. (Post offices that are open on Saturdays (but not on Sundays and holidays) total 293, with 178 post offices open on Saturdays, Sundays and holidays.)

■ Yu-Yu Service Window

Post offices that deliver mail have Yu-Yu Service Windows for times outside of business hours. The Yu-Yu Windows at 359 large post offices (as of April 2007) offer various services around the clock, including acceptance of mail, handing mail that was not delivered because the recipients were not at home, and sale of postage and revenue stamps, etc.



(2) POSTAL SAVINGS SERVICE

■ Business Hours of Service Windows

Day	Service hours
Monday to Friday	09:00 - 16:00 (until 18:00 at some post offices, including central offices)
Saturdays and Sundays/holidays	Closed

Note 1: Closed from December 31 to January 3.

Note 2: Service hours may differ from those mentioned above.

■ ATM Service Hours

While the service hours of automatic teller machines (ATMs) and other services are separately set by each location, in general, service hours are as follows.

Please check the service hours of individual ATMs and other services using the guidance display installed at each ATM or “Post Office/ATM Guidance” on the Post Office website (http://www.yuubinkyoku.com/office_search/).

Day	Ordinary post offices	Special delivery post offices	Special nondelivery post offices	Branch offices
Monday to Friday	08:45 – 19:00 *07:00 – 23:00 at some post offices	08:45 – 18:00 *08:00 – 21:00 at some post offices	09:00 – 17:30 *07:00 – 23:00 at some post offices	09:00 – 18:00 *07:00 – 23:00 at some post offices
Saturdays	09:00 – 17:00 *09:00 – 21:00 at some post offices	09:00 – 17:00 *09:00 – 19:00 at some post offices	09:00 – 12:30 *09:00 – 21:00 at some post offices	09:00 – 17:00 *09:00 – 21:00 at some post offices
Sundays/holidays	09:00 – 17:00 *09:00 – 19:00 at some post offices	09:00 – 17:00	09:00 – 17:00 *09:00 – 19:00 at some post offices	

Note 1: Closed from January 1 to January 3.

Note 2: Service hours may differ from those mentioned above.

Note 3: Some ATMs are not in service on Saturdays and Sundays/holidays.

Note 4: Deposits of ordinary postal savings and teigaku/time postal savings, withdrawal of ordinary postal savings in coins and deposits of ordinary postal savings in cash cannot be made before 07:00 and after 21:00 from Monday to Friday and before 09:00 and after 17:00 on Saturdays and Sundays/holidays. Deposits of teigaku/time postal savings cannot be made on Saturdays and Sundays/holidays.

Note 5: Tie-up ATM/cash dispenser (CD) services are not available in some cases according to the service hours and the content of transactions offered by financial institutions, etc., with which Japan Post has formed business alliances over the use of ATMs and CDs.

Note 6: A 24-hour ATM service is provided on a trial basis in 17 locations nationwide.

(3) POSTAL LIFE INSURANCE SERVICE

■ Business Hours of Service Windows

Day	Service hours
Monday - Friday	09:00 - 16:00 (until 18:00 at some post offices, including central offices)
Saturdays and Sundays/holidays	Closed

Note 1: Closed on December 31, January 2 and January 3.

Note 2: Some post offices have different service hours for special reasons such as their location or their place of installation.

2. Inquiries

(1) INFORMATION/CONSULTATION COUNTERS FOR POSTAL SERVICE

■ Japan Post Service Consultation Center

Japan Post has a “Japan Post Service Consultation Center,” which handles general telephone inquiries about the postal service.

Hours	Telephone number
Weekdays: 08:00 - 22:00	(Toll-free number)
Saturdays and Sundays/holidays: 09:00 - 22:00	0 1 2 0 - 2 3 - 2 8 - 8 6

When calling from a cellular phone, please dial the following number:

0570-046666 (Call charges apply.)

For services in English, please dial the following number:

0570-046111 (Call charges apply.)

(2) INFORMATION/CONSULTATION COUNTERS FOR POSTAL SAVINGS SERVICE

■ Postal Savings Consultation Office

Postal Savings Consultation Offices are set up at Regional Postal Savings Centers across the country to handle inquiries and give advice about postal savings, postal transfers, and other services.

Hours	Telephone number
Weekdays: 08:30 - 18:00	(Toll-free number) 0 1 2 0 - 1 0 8 4 2 0

Note 1: Excluding Saturdays, Sundays, holidays and the period from December 31 to January 3.

Note 2: To make an inquiry from a cellular phone or PHS handsets, please dial the following number of the nearby Postal Savings Consultation Office.

Douhoku	0166-21-5230	Niigata	025-290-6375	Okayama	086-212-1340
Douou	011-214-4370	Nagano	026-231-5007	Hiroshima	082-511-4613
Dounan	0138-21-1320	Toyama	076-439-9623	Yamaguchi	0832-28-2376
Aomori	017-721-5264	Ishikawa	076-231-7930	Tokushima	088-626-7122
Iwate	019-621-7050	Fukui	0776-33-8904	Kagawa	087-832-5477
Miyagi	022-716-9923	Gifu	058-267-4019	Ehime	089-915-1146
Akita	018-887-4526	Shizuoka	054-275-0347	Kochi	088-878-7052
Yamagata	023-627-6020	Aichi	052-955-1611	Fukuoka	092-736-1602
Fukushima	024-990-2383	Mie	059-213-7501	Saga	0952-36-6471
Ibaraki	029-302-8016	Shiga	077-571-1511	Nagasaki	095-841-9280
Tochigi	028-600-3278	Kyoto	075-354-4766	Kumamoto	096-319-5885
Gunma	027-310-6061	Osaka	06-4799-1161	Oita	097-514-3251
Saitama	048-600-2270	Hyogo	078-367-4821	Miyazaki	0985-83-2965
Chiba	047-311-2875	Nara	0745-24-5227	Kagoshima	099-263-8150
Kanagawa	045-949-6034	Wakayama	073-435-1457	Okinawa	098-833-7265
Yamanashi	055-255-6128	Tottori	0859-38-5391		
Tokyo	048-600-3898	Shimane	0852-20-6518		

■ English Guide Service for Postal Savings

We handle inquiries and give advice about postal savings, postal transfers, and other services in English. (English only)

Hours	Telephone number
Weekdays: 08:30 - 18:00	0 1 2 0 - 0 8 5 4 2 0

Note 1: Excluding Saturdays, Sundays, holidays and the period from December 31 to January 3.

Note 2: Please note that inquiries cannot be made from cellular phones or PHS handsets.

■ Investment Trust Call Center “Toshin Oshiete Call”

Information on investment trusts is also provided by the call center and on the website.

Hours	Telephone number
09:00 - 18:00	(Call Center) 0 8 0 0 - 8 0 0 - 4 1 0 4

Note: Excluding Saturdays, Sundays, holidays and the period from December 31 to January 3.

Investment trust website
http://www.yu-cho.japanpost.jp/toushin/

■ Postal Savings Card Loss Report Center

Loss or theft of passbooks (certificates) and cash cards can be reported using the following dedicated toll-free number. It can also be reported at a nearby post office.

Hours	Telephone number
24 hours a day (365 days a year)	(Toll-free) 0 1 2 0 - 7 9 4 8 8 9

■ Living Consultation Center

The following centers provide services to help resolve complaints and disputes about postal savings.

As of April 1, 2007

Name of consultation center	Zip code	Location	Telephone number
Tokyo Shinjuku	160-0022	8th Floor, Sompo Japan Shinjuku Higashi Building, 3-1-16 Shinjuku, Shinjuku-ku, Tokyo	03-3353-6861
Osaka Ekimae	530-0001	7th Floor, Osaka Ekimae No. 4 Building, 1-11 Umeda, Kita-ku, Osaka	06-6347-1512

Note1: Complaints and requests for consultation are accepted from 09:00 to 17:00 from Monday to Saturday.

Note2: The center is closed on holidays and from December 29 to January 3.

(3) INFORMATION/CONSULTATION COUNTERS FOR POSTAL LIFE INSURANCE

■ Customer Consultation Window

Post offices are always ready to accept inquiries from customers and give advice via post office counters or outdoor insurance service personnel. In addition, the following consultation counters have been set up to reflect the opinions of customers as part of efforts for improvement.

○ Customer consultation counters at the Kampo Call Center and Postal Life Insurance Customer Consultation Service Center

Hours	Telephone number
Weekdays: 09:00 - 21:00	(Toll-free)
Saturdays, Sundays and holidays: 09:00 - 17:00	0 1 2 0 - 5 5 2 9 5 0

Note 1: The period from January 1 to January 3 are excluded.

Note 2: The Kampo Call Center provides general advice such as information on insurance products and premiums. Inquiries about individual postal insurance policies, including the payment status of various kinds of insurance fees, are handled by the Postal Life Insurance Customer Consultation Service Center through interactive voice response (IVR) systems or are transferred to the assigned Postal Life Insurance Customer Consultation Service Center.

Note 3: Service hours of the customer consultation counter of Postal Life Insurance Customer Consultation Service Center are from 09:00 to 17:00 on weekdays.

■ Reporting Loss or Theft of Postal Insurance Cards

If your postal insurance card is lost or stolen, please call the following telephone number immediately or report the incident at nearby post office.

Hours	Telephone number
Weekdays: 08:30 - 21:00	(Toll-free) 0 1 2 0 - 7 9 4 0 5 5

Note 1: Excluding Saturdays, Sundays, holidays and December 31, January 2 and January 3.

Note 2: If the lost or stolen card has both postal insurance and postal savings functions, you need to inform the postal savings department on 0120-794889 (Postal Savings Card Loss Report Center).

Note 3: You need to request the re-issuance of a postal insurance card at a post office counter that handles insurance.

Note 4: The toll-free number 0120-794055 is for emergencies and is used to report any lost of postal insurance cards. Please note that this number cannot be used for general inquiries, requests, or such like.

(4) INFORMATION/CONSULTATION COUNTER FOR JAPAN POST IN GENERAL

This counter provides information on and accepts enquiries about Japan Post in general, excluding opinions and requests concerning postal service, postal savings and various insurance products and services.

Japan Post Service Consultation Center

Hours	Telephone number
Weekdays: 08:00 - 22:00	(Toll-free)
Saturdays and Sundays/holidays: 09:00 - 22:00	0 1 2 0 - 2 3 2 8 8 6

If using a cellular phone, please call

0570-046-666
(call charges apply)

3. Consultation via the Internet

To access the Japan Post website (<http://www.japanpost.jp>), click on Opinion/Inquiries and then click the appropriate information/consultation button, choosing from Postal Services, Postal Savings, Postal Life Insurance, or Other General Information about Japan Post.

4. Information Disclosure Counters

Japan Post discloses documents at the request of customers, in accordance with the Law Concerning Disclosure of Information Possessed by Independent Administrative Institutions (No. 140 of 2001).

In accordance with the Law Concerning the Protection of Personal Information Held by Independent Administrative Agencies and Other Organizations (No. 59 of 2003), Japan Post discloses personal information at the request of the person to whom the information relates, and corrects or discontinues personal information when there are suitable reasons to do so.

Please contact the Disclosure Office in the head office and branches (13 locations nationwide).

Service hours of Disclosure Office: 09:45 - 17:00

Note 1: New requests are not accepted between 12:00 and 13:00 or between 16:30 and 17:00.

Note 2: The Disclosure Office is closed on Saturdays, Sundays, holidays and in the year-end and New Year period.

For more information, please access the following websites.

“Guidance to Disclosure of Information Possessed by Japan Post”

→ <http://www.japanpost.jp/top/kokai/kokai/index.html>

“Guidance to Disclosure of Personal Information Held by Japan Post”

→ <http://www.japanpost.jp/top/kokai/kojin/index.html>

Japan Post

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

URL: <http://www.japanpost.jp/>



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