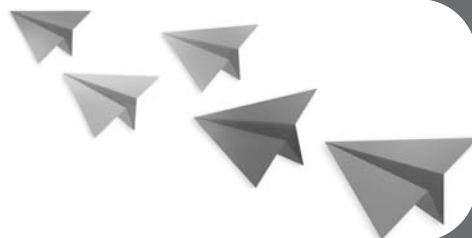


# 4 Data



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# 4 DATA

## 1. Main Results Data

### 1. Operational Indicators

#### POSTAL SERVICE INCOME AND EXPENDITURE BY CLASS

Postal Service income and expenditure by class for FY 2007 (April 1 to September 30, 2007) is as follows.

##### Income and Expenditure by Mail Class for FY 2007

Unit: billion yen

Class	Operating income	Operating expenses	Operating profit
Letter post	620.8	650.8	(30.0)
First class (sealed letters)	378.3	351.8	26.4
Second class (postcards)	134.8	153.8	(19.0)
Third class (newspapers and magazines)	10.7	19.6	(8.9)
Fourth class (correspondence courses, etc.)	0.5	1.3	(0.8)
Special handling (registered delivery, express)	96.5	124.2	(27.7)
Parcel post	156.5	155.6	0.9
International mail	37.3	32.4	4.9
Total	814.6	838.8	(24.2)

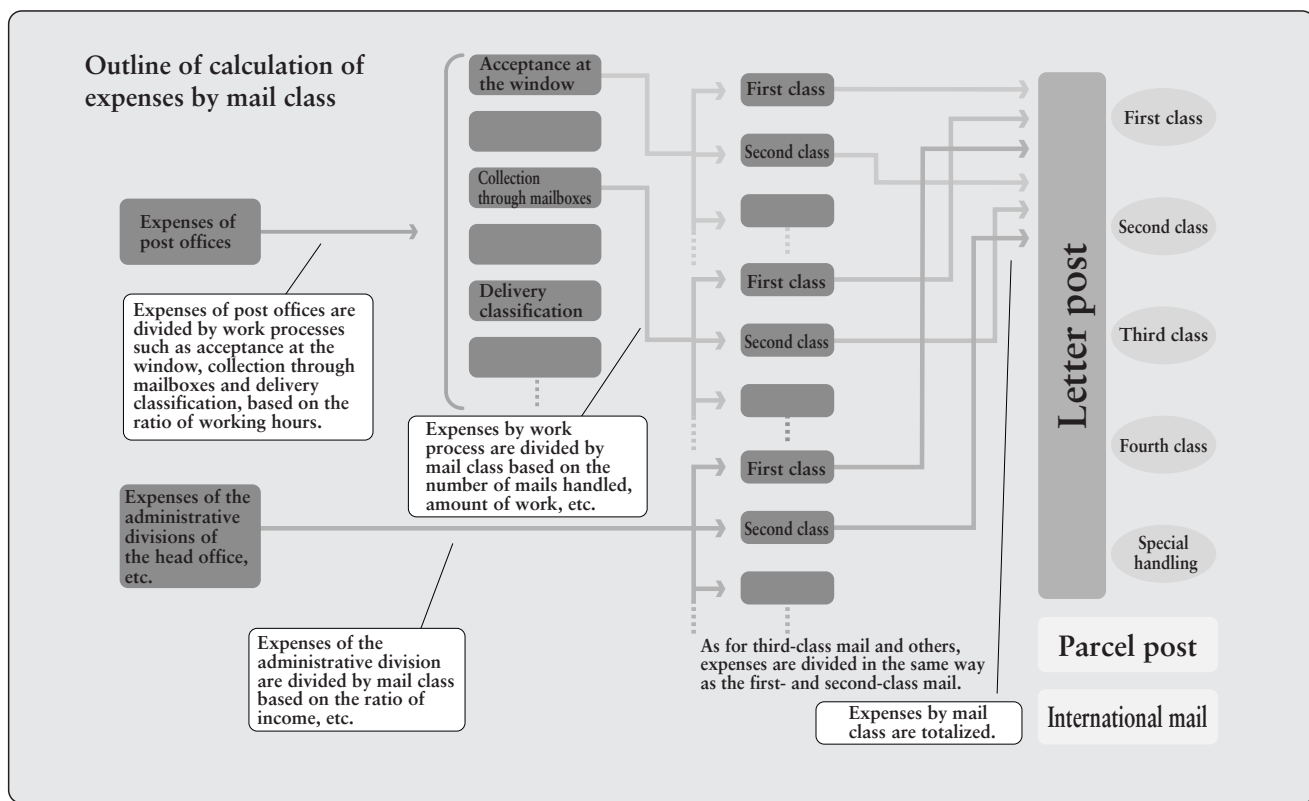
Note: The above figures are based on the financial statements which were submitted by JAPAN POST HOLDINGS Co., Ltd. to the Minister of Internal Affairs and Communications.

The chart above covers the postal services specified in the Postal Act in the corresponding fiscal year and does not match the figures on income statements.

##### Reference: 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



## ■ Comparison of Profit and Loss by Fiscal Year

Unit: billion yen

Class	FY 2004	FY 2005	FY 2006	FY 2007
I. Operating income	1,924.8	1,909.0	1,913.4	854.4
II. Operating cost	1,794.1	1,792.3	1,785.9	833.1
Gross operating profit	130.6	116.6	127.4	21.3
III. Sales, general and administrative expenses	99.8	101.9	99.4	53.6
Operating profit	30.7	14.7	27.9	(32.3)
IV. Non-operating income	8.1	9.3	8.1	4.6
V. Non-operating expenses	12.7	8.9	7.3	4.5
Ordinary profit	26.2	15.1	28.8	(32.2)
VI. Extraordinary gains	6.8	12.9	6.0	1.8
VII. Extraordinary losses	4.7	25.4	33.0	784.2
Net income	28.3	2.6	1.8	(814.6)

### Reference

Income (I + IV + VI)	1,939.8	1,931.2	1,927.6	861.0
Expenses (II + III + V + VII)	1,911.5	1,928.5	1,925.7	1,675.6
Net income	28.3	2.6	1.8	(814.6)

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	FY 2004	FY 2005	FY 2006	FY 2007
Operating income of postal services	1,844.2	1,827.8	1,832.6	815.6
Letter post	1,524.7	1,439.7	1,424.6	620.8
Parcel post	234.5	305.2	323.9	156.5
International mail	82.3	80.3	81.7	37.3
Others	2.8	2.7	2.4	1.0
Income of consigned services	70.4	72.0	72.0	34.7
Revenue stamp selling service	67.8	69.6	70.0	33.8
Services entrusted by broadcaster	2.5	2.4	1.9	0.8
Services entrusted by telephone companies	0.0	0.0	0.0	0.0
Other operating income	10.1	9.1	8.7	4.1
Total of operating income	1,924.8	1,909.0	1,913.4	854.4

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 yen

Classification	FY 2004	FY 2005	FY 2006	FY 2007
Personnel expenses	1,420.7	1,423.8	1,424.7	660.3
Directors' remunerations	0.0	0.0	0.1	0.0
Salaries and allowances	1,026.4	1,038.8	1,048.2	472.1
Basic salary	721.9	727.4	736.7	355.3
Various allowances	58.6	58.8	61.2	36.0
Overtime pay	92.5	104.0	103.0	47.9
Bonuses	151.4	146.3	144.0	31.9
Other salaries and allowances	1.8	2.2	3.0	0.8
Provision for reserve for employees' bonuses	72.9	70.5	66.7	65.3
Retirement benefit expenses	102.9	99.4	94.7	49.2
Provision for reserve for directors' retirement benefits	0.0	0.0	0.0	—
Legal welfare expense	210.1	206.7	206.8	70.0
Other personnel expenses	8.2	8.1	7.9	3.6
Expenses	473.2	470.3	460.7	226.4
Business consignment expenses	200.1	213.4	209.6	95.5
Collection, delivery and transportation consignment expenses	169.8	184.4	180.6	82.5
Handling commissions	30.2	29.0	28.9	13.0
Expenses other than business consignment expenses	273.1	256.8	251.1	130.8
Fuel cost	6.5	7.7	8.6	4.5
Vehicle repair cost	5.4	6.2	5.8	3.2
Stamp and postcard purchase cost	12.0	10.9	10.6	2.7
Depreciation	89.3	78.8	73.9	38.7
Advertising cost	10.2	9.8	7.5	2.9
Facility charges	33.2	31.0	29.5	12.6
Taxes and public charges	8.7	8.9	8.5	8.0
Allowance for doubtful accounts	—	0.2	0.0	0.0
Losses on bad loans	0.0	0.0	0.1	0.0
Other expenses	107.6	103.0	106.1	57.7
Total operating expenses (personnel expenses + expenses)	1,894.0	1,894.2	1,885.4	886.8

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	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Postal service revenue	1,906.3	1,855.6	1,855.6	1,854.3	833.9
Postal stamp revenue	355.7	318.7	290.3	275.9	126.4
Ordinary postal stamps	328.4	295.2	273.6	264.5	121.1
Special postal stamps	27.3	23.5	16.7	11.4	5.3
Postcard charge	274.7	267.8	261.3	251.9	37.3
Ordinary postcards	74.4	76.4	75.4	72.5	37.3
New Year's lottery postcards	200.3	191.4	185.9	179.4	—
Subsequent payment of postage	813.2	850.1	911.0	949.6	494.0
Separate payment of postage	445.7	404.9	378.2	364.1	166.5
Postal miscellaneous income	17.0	14.1	14.8	12.8	9.7

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	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Hokkaido	74.2	70.1	66.7	64.8	25.6
Tohoku	91.0	85.9	83.1	82.7	35.3
Kanto	194.2	187.3	187.6	191.3	90.9
Minami-Kanto	112.7	107.3	104.7	100.3	43.3
Tokyo	536.3	538.4	558.8	566.4	268.0
Shinetsu	55.9	49.9	47.5	44.5	18.4
Hokuriku	34.2	32.9	32.4	32.6	13.3
Tokai	183.8	176.5	172.4	171.6	73.0
Kinki	311.5	301.3	294.5	292.5	130.0
Chugoku	106.2	102.0	99.8	98.0	42.9
Shikoku	45.5	44.4	43.8	41.6	17.3
Kyushu	146.7	143.2	141.5	144.6	63.2
Okinawa	12.4	12.5	12.4	12.3	5.9
Head office	1.7	3.9	10.4	11.1	6.7
Total	1,906.3	1,855.6	1,855.6	1,854.3	833.9

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 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 Services)

Unit: million yen, %

Item	Composition of assets				Change in assets FY 2007
	End of FY 2006	Percentage	End of FY 2007	Percentage	
Cash and deposits	5,377,477	2.3	5,703,496	2.6	326,018
Call loans	1,000,000	0.4	800,000	0.3	(200,000)
Receivable under resale agreements	119,893	0.1	—	—	(119,893)
Monetary claims bought	—	—	—	—	—
Money held in trust	1,927,293	0.9	603,123	0.3	(1,324,169)
Securities	165,016,502	71.7	170,509,254	77.1	5,492,751
Japanese bonds	162,283,689	70.5	170,241,750	77.0	7,958,061
Japanese government bonds	146,721,107	63.8	155,210,921	70.2	8,489,814
Japanese local government bonds	8,130,698	3.5	8,007,685	3.6	(123,013)
Japanese corporate bonds	7,431,883	3.2	7,023,144	3.2	(408,739)
Foreign bonds	2,732,813	1.2	267,503	0.1	(2,465,310)
Other securities	—	—	—	—	—
Deposits to the fiscal loan fund	52,243,500	22.7	38,858,500	17.6	(13,385,000)
Loans	4,376,059	1.9	4,561,627	2.1	185,568
Loans to depositors	328,230	0.1	302,857	0.1	(25,373)
Loans on security of government bonds	873	0.0	907	0.0	34
Loans to local governments	3,686,955	1.6	3,688,861	1.7	1,906
Loans to Postal Service	360,000	0.2	569,000	0.3	209,000
Total	230,060,726	100.0	221,036,001	100.0	(9,024,725)
Foreign currency-denominated assets within the above totals	2,636,627	1.1	207,632	0.1	(2,428,994)

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 FY 2007
	End of FY 2006	Percentage	End of FY 2007	Percentage	
Cash and deposits	920,989	0.8	1,637,328	1.4	716,339
Call loans	304,600	0.3	—	—	(304,600)
Receivable under resale agreements	—	—	—	—	—
Monetary claims bought	29,989	0.0	—	—	(29,989)
Money held in trust	7,575,213	6.6	5,899,453	5.2	(1,675,760)
Securities	84,217,647	73.1	84,289,840	74.4	72,193
Japanese bonds	82,212,005	71.3	82,895,685	73.1	683,679
Stocks	3,141	0.0	—	—	(3,141)
Foreign bonds	2,002,500	1.7	1,394,155	1.2	(608,345)
Other securities	—	—	—	—	—
Loans	22,203,178	19.3	21,533,574	19.0	(669,603)
Loans to policyholders	1,836,700	1.6	1,748,556	1.5	(88,144)
Loans to government finance and public corporations, etc.	1,187,904	1.0	1,111,529	1.0	(76,375)
Loans to local governments	19,049,756	16.5	18,553,090	16.4	(496,665)
Loans to Postal Service	128,818	0.1	120,399	0.1	(8,419)
Others	5,440	0.0	7,987	0.0	2,547
Total	115,257,058	100.0	113,368,185	100.0	(1,888,873)
Foreign currency-denominated assets within the above totals	1,785,909	1.5	1,205,622	1.1	(580,286)

Note: Changes are the differences between the amount at the end of FY 2007 and FY 2006.

## (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 2006		FY 2007	
	Average balance	Yield	Average balance	Yield
Cash and deposits	5,018,405	0.14	5,748,982	0.30
Call loans	344,794	0.30	766,939	0.55
Receivable under resale agreements	89,266	0.30	74,802	0.61
Monetary claims bought	—	—	—	—
Securities	160,995,732	0.93	160,969,386	1.03
Japanese bonds	158,049,244	0.87	168,570,640	1.00
Japanese government bonds	141,815,444	0.82	153,285,658	0.97
Japanese local government bonds	8,457,335	1.70	8,014,324	1.63
Japanese corporate bonds	7,776,464	0.93	7,270,657	1.00
Japanese public corporations bonds	5,039,864	1.06	4,606,576	1.13
Foreign bonds	2,946,487	4.01	1,398,746	4.81
Other securities	—	—	—	—
Deposits to the fiscal loan fund	64,762,870	1.97	42,660,822	1.85
Loans	4,216,787	1.08	4,329,646	1.11
Loans to local governments	3,660,582	1.19	3,666,825	1.22
Total	235,427,856	1.20	223,550,581	1.17

Note 1: The average balance for money trusts (average month-end balance at market price) is 1,190,175 million yen (2,504,542 million yen in FY 2006).

Note 2: The time-weighted rate of return for money trusts (rate of return measured for portion excluding deposits) is -1.28% (4.37% in FY 2006).

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 2006		FY 2007	
	Average balance	Yield	Average balance	Yield
Cash and deposits	870,857	0.24	1,023,904	0.44
Call loans	331,014	0.28	495,496	0.60
Receivable under resale agreements	—	—	—	—
Monetary claims bought	32,378	0.21	23,490	0.42
Money held in trust	5,461,121	18.85	4,906,638	30.37
Securities	85,370,895	0.94	84,793,332	1.36
Japanese bonds	83,455,386	0.87	83,125,373	1.04
Japanese government bonds	63,784,656	0.75	66,705,267	0.99
Japanese local government bonds	4,399,714	0.74	3,757,461	1.05
Japanese corporate bonds	15,271,015	1.43	12,662,644	1.34
Japanese public corporations bonds	12,663,045	1.58	10,221,850	1.47
Foreign bonds	1,913,788	3.86	1,667,385	16.85
Stock	1,720	3.24	573	449.58
Other securities	—	—	—	—
Loans	22,610,813	2.87	21,588,520	2.93
Loans to local governments	19,188,653	2.75	18,518,065	2.69
Total investments	114,684,352	2.16	112,839,364	2.91
Overseas loans and investments	1,916,923	3.86	1,668,713	16.83
Total	115,999,729	2.14	114,212,938	2.87

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

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

Item	FY 2003	FY 2004	FY 2005	FY 2006	Unit: billion yen	
					FY 2007	FY2007 (projected for the year)
Two-year bonds	4,059.9	8,864.9	3,684.9	3,469.9	1,244.7	2,475.0
Five-year bonds	2,469.9	3,939.9	2,459.9	2,669.9	554.6	1,100.0
Ten-year bonds	3,429.9	6,894.9	5,054.9	4,859.9	959.6	1,925.0
Total	9,959.9	19,699.8	11,199.8	10,999.8	2,759.1	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)

Item	FY 2003	FY 2004	FY 2005	FY 2006	Unit: billion yen	
					FY 2007	
Five-year bonds	1,349.9	—	—	—	—	
Ten-year bonds	1,289.9	2,099.9	1,049.9	499.9	—	
Twenty-year bonds	299.9	299.9	299.9	499.9	251.6	
Total	2,939.9	2,399.9	1,349.8	999.9	251.6	



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

Unit: million yen, %

Section		Fiscal year-end		FY 2003		FY 2004		FY 2005		FY 2006		FY 2007	
		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	—	—	—	—
	Special account for energy measures	—	—	—	—	—	—	—	—	—	—	1,121	0.0
	General Account	666,087	1.8	510,284	1.5	242,243	0.8	—	—	—	—	—	—
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	—	—	—	—
	Japan Housing Finance Agency	—	—	—	—	—	—	—	—	—	—	119,794	0.5
	National Life Finance Corporation	437,080	1.2	143,880	0.4	—	—	—	—	—	—	—	—
	Japan Finance Corporation for Small Business	1,454,053	4.0	1,034,261	3.1	683,627	2.3	446,325	1.7	296,536	1.2	296,536	1.2
	Agriculture, Forestry and Fisheries Finance Corporation	53,512	0.1	37,487	0.1	25,815	0.1	15,966	0.1	15,966	0.1	15,966	0.1
	Okinawa Development Finance Corporation	98,366	0.3	69,671	0.2	47,038	0.2	28,752	0.1	21,629	0.1	21,629	0.1
	Development Bank of Japan	409,552	1.1	280,874	0.9	191,144	0.7	118,754	0.5	104,035	0.4	104,035	0.4
	Japan Bank for International Cooperation	216,824	0.6	155,418	0.5	103,856	0.4	64,613	0.2	64,613	0.3	64,613	0.3
	Urban Development Corporation	2,122,336	5.8	—	—	—	—	—	—	—	—	—	—
	Urban Renaissance Agency	—	—	1,760,845	5.3	1,317,153	4.5	764,967	3.0	603,008	2.5	603,008	2.5
	Employment and Human Resources Development Organization of Japan	8,614	0.0	2,503	0.0	600	0.0	—	—	—	—	—	—
	Environmental Restoration and Conservation Agency	9,568	0.0	6,540	0.0	4,410	0.0	2,640	0.0	1,961	0.0	1,961	0.0
	Japan Railway Construction, Transport and Technology Agency	142,724	0.4	103,501	0.3	65,134	0.2	33,747	0.1	19,496	0.1	19,496	0.1
	Japan Regional Development Corporation	167,232	0.5	—	—	—	—	—	—	—	—	—	—
	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	10,565	0.0	10,565	0.0
	Japan Small and Medium Enterprise Corporation	20,909	0.1	—	—	—	—	—	—	—	—	—	—
	Organization for Small & Medium Enterprises and Regional Innovation, Japan	—	—	42,840	0.1	8,923	0.0	7,125	0.0	7,126	0.0	7,126	0.0
	Japan Highway Public Corporation	7,438,395	20.4	6,125,124	18.6	—	—	—	—	—	—	—	—
	Metropolitan Expressway Public Corporation	1,455,947	4.0	1,177,824	3.6	—	—	—	—	—	—	—	—
	Hanshin Expressway Public Corporation	1,236,432	3.4	1,093,488	3.3	—	—	—	—	—	—	—	—
	Honshu-Shikoku Bridges Authority	73,381	0.2	73,398	0.2	—	—	—	—	—	—	—	—
	Japan Expressway Holding and Debt Repayment Agency	—	—	—	—	6,718,921	23.0	4,902,436	18.9	4,454,455	18.1	4,454,455	18.1
	Japan Water Agency	164,189	0.4	113,163	0.3	97,752	0.3	80,340	0.3	70,346	0.3	70,346	0.3
	Tokyo Metro Co., Ltd.	90,087	0.2	59,123	0.2	44,388	0.2	29,822	0.1	28,336	0.1	28,336	0.1
	Narita International Airport Corporation	97,216	0.3	64,662	0.2	58,479	0.2	47,369	0.2	47,378	0.2	47,378	0.2
	Electric Power Development Company	131,074	0.4	88,949	0.3	55,896	0.2	26,395	0.1	18,405	0.1	18,405	0.1
	Loans to Postal Service	192,614	0.5	169,317	0.5	147,800	0.5	128,818	0.5	120,399	0.5	120,399	0.5
Local governments	19,116,552	52.3	19,364,544	58.7	19,124,953	65.4	19,049,756	73.5	18,553,090	75.5	18,553,090	75.5	
<b>Total</b>	<b>36,525,297</b>	<b>100.0</b>	<b>32,962,223</b>	<b>100.0</b>	<b>29,244,255</b>	<b>100.0</b>	<b>25,921,513</b>	<b>100.0</b>	<b>24,558,266</b>	<b>100.0</b>	<b>24,558,266</b>	<b>100.0</b>	

Note 1: 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 2: Urban Development Corporation loans and bonds were taken over by Urban Renaissance Agency on July 1, 2004.

Note 3: Japan Environment Corporation loans were taken over by Environmental Restoration and Conservation Agency on April 1, 2004.

Note 4: Teito Rapid Transit Authority loans and bonds were taken over by Tokyo Metro Co., Ltd. on April 1, 2004.

Note 5: 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 6: Japan Small and Medium Enterprise Corporation bonds were taken over by Organization for Small & Medium Enterprises and Regional Innovation on July 1, 2004.

Note 7: New Tokyo International Airport Authority loans and bonds were taken over by Narita International Airport Corporation on April 1, 2004.

Note 8: 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.

Note 9: National bonds (Special Account for Measures to cope with the More Sophisticated Demand Structure of Petroleum and Energy) were taken over by the Japanese government (Special account for energy measures) on April 1, 2007.

Note 10: Government Housing Loan Corporation loans and bonds were taken over by the Japan Housing Finance Agency on April 1, 2007.

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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 2006		End of FY 2007	
	Amount invested	Percentage	Amount invested	Percentage
U.S. dollars	733,625	26.8	80,028	29.9
Euro	1,623,419	59.4	102,466	38.3
Japanese yen	99,987	3.7	64,758	24.2
Canadian dollars	147,377	5.4	10,002	3.7
British pounds	128,402	4.7	10,247	3.8
Total	2,732,813	100.0	267,503	100.0

##### ■ Proportion by Region

Unit: million yen, %

Category	End of FY 2006		End of FY 2007	
	Amount invested	Percentage	Amount invested	Percentage
North America	739,707	27.1	114,021	42.6
America	568,138	20.8	80,028	29.9
Canada	171,569	6.3	33,992	12.7
Europe	1,819,418	66.6	153,481	57.4
Germany	812,338	29.7	73,263	27.4
Italy	208,634	7.6	42,426	15.9
France	352,507	12.9	25,987	9.7
Spain	103,224	3.8	236	0.1
U.K.	120,370	4.4	10,247	3.8
Others	222,343	8.1	1,320	0.5
International institutions	173,687	6.4	0	0.0
Total	2,732,813	100.0	267,503	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		End of FY 2007		
	Amount invested	Percentage	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	1,205,622	86.5
	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	1,205,622	86.5
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	188,532	13.5
Total		1,599,351	100.0	1,564,840	100.0	1,859,226	100.0	2,004,614	100.0	1,394,155	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	FY 2003		FY 2004		FY 2005		FY 2006		FY 2007	
	Amount invested	Percentage	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	768,603	55.1
America	415,599	26.1	447,189	28.7	588,042	31.7	760,139	38.0	768,603	55.1
Europe	896,174	56.2	813,385	52.1	961,643	51.8	1,017,745	50.8	423,048	30.3
Germany	395,986	24.8	424,498	27.2	528,680	28.5	596,315	29.8	180,305	12.9
U.K.	100,737	6.3	93,830	6.0	122,305	6.6	144,610	7.2	149,341	10.7
France	149,368	9.4	128,680	8.2	162,897	8.8	222,402	11.1	51,319	3.7
The Netherlands	41,598	2.6	41,242	2.6	40,164	2.2	39,814	2.0	29,707	2.1
Italy	31,861	2.0	19,557	1.3	12,954	0.7	12,588	0.6	12,374	0.9
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	202,503	14.5
Total	1,595,008	100.0	1,560,556	100.0	1,855,042	100.0	2,002,500	100.0	1,394,155	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		FY 2007	
		Amount invested	Percentage	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	904,999	64.9
	Euro	421,744	26.4	438,094	28.0	577,183	31.0	712,631	35.5	120,896	8.7
	Pounds sterling	114,503	7.2	108,674	6.9	142,874	7.7	174,700	8.7	179,727	12.9
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	1,205,622	86.5
Yen denominated assets		568,121	35.5	468,698	30.0	427,581	23.0	218,705	10.9	188,532	13.5
Total		1,599,351	100.0	1,564,840	100.0	1,859,226	100.0	2,004,614	100.0	1,394,155	100.0

## 3. Accounting Indicators

### ■ Policy Reserve

Unit: million yen

Account		End of FY 2003	End of FY 2004	End of FY 2005	End of FY 2006	End of FY 2007
Policy reserve (excluding contingency reserve)	Premium reserve	96,016,098	96,055,958	92,691,843	90,318,234	89,100,961
	(additional policy reserve)	(8,824,472)	(8,394,239)	(7,970,331)	(7,569,111)	(7,377,939)
	Unearned premium	18,047,810	17,380,929	17,078,815	15,699,075	15,241,042
	Subtotal	114,063,908	113,436,887	109,770,659	106,017,310	104,342,003
	Insurance	93,292,485	92,470,612	88,888,347	85,584,406	84,128,226
	Annuity insurance	20,771,422	20,966,275	20,882,312	20,432,903	20,213,776
Contingency reserve		814,036	844,438	1,724,466	2,700,387	3,316,245
Total		114,877,945	114,281,325	111,495,125	108,717,697	107,658,249

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

### 1. 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.

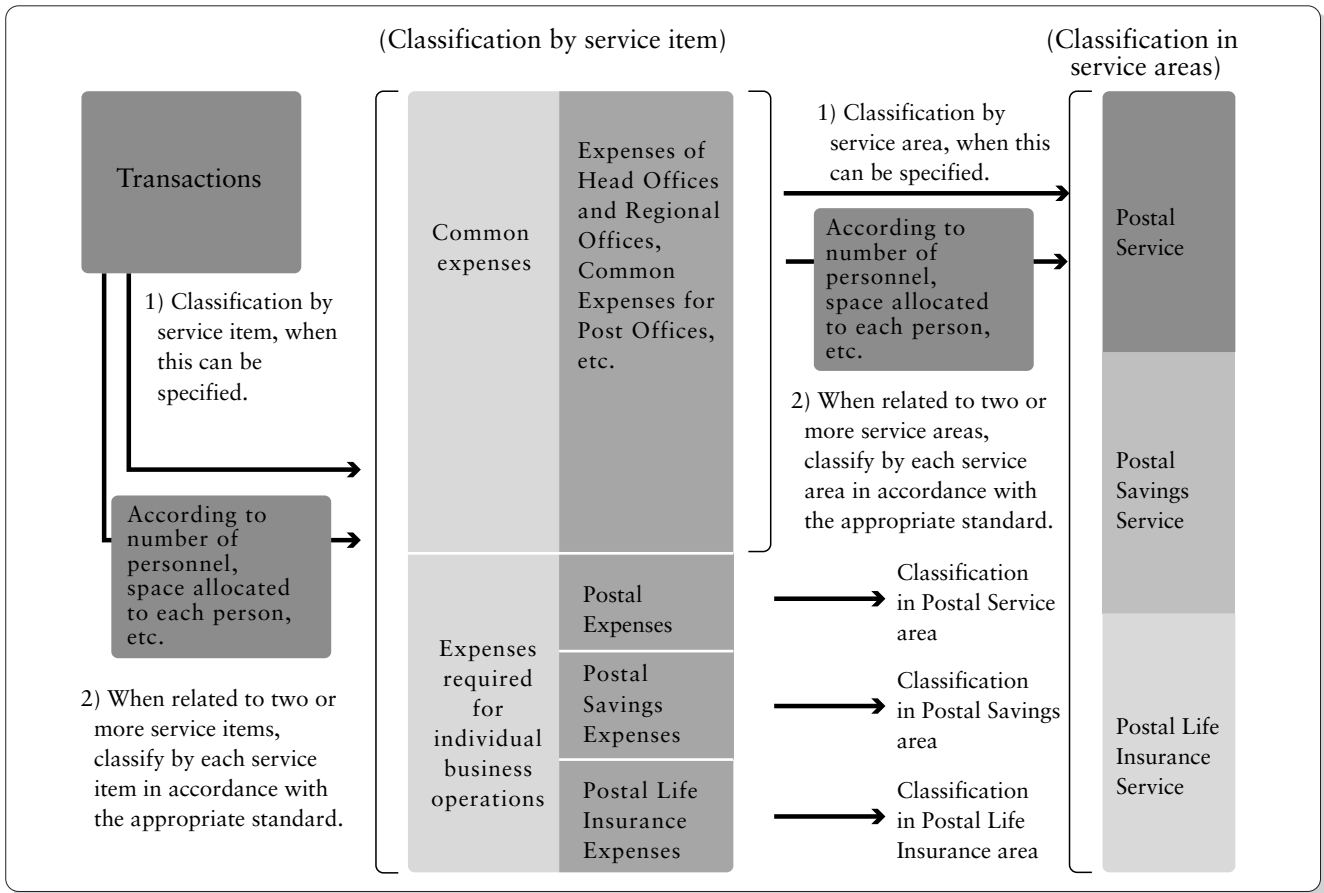
In order to provide appropriate financial information for each of the different services, appropriate standards are used for new acquisitions, assets, liabilities, and income and expenses generated in two or more of these service classifications, and these are included under their respective classifications.

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. (See the following diagram.)

Furthermore, the financial statements for Japan Post as a whole and for each of the service areas are reviewed by independent 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
    - i Buildings (excluding structure and equipment)  
the straight-line method
    - ii Others  
declining-balance method  
The useful lives of the major premises and equipment are as follows:  
Buildings 2-75 years  
Equipment 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
    - i 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 certain years (fourteen to fifteen years) within the estimated average remaining service lives for employees from the fiscal year after the difference is incurred.  
Past service liability is amortized using the straight-line method over the certain years (fourteen years) within the estimated average remaining service lives for employees in the fiscal year the difference is incurred.
    - ii We calculated charges for the expenses concerning 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”), among expenses for the retirement mutual aid welfare pension of national public service personnel, and booked them as part of “allowance for employees’ retirement benefits.”  
The actuarial difference is amortized using the straight-line method over the certain years (fifteen years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.
    - iii We calculated charges for the expenses concerning the pension benefits for those who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) (hereinafter referred to as “charges for pension benefits”) and retired in and before December 1958, among expenses for the retirement mutual aid welfare pension of national public service personnel, and booked them as part of “allowance for employees’ retirement benefits.”  
The actuarial difference is amortized using the straight-line method over the certain years (seven years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.
  - (d) Allowance for compensation for accidents in the line of duty  
Allowance for compensation for accidents in the line of duty is provided to prepare for paying pensions to personnel who

sustained a casualty in work-related accidents or while commuting or to their surviving families. We booked the amount of pension obligations associated with compensation for accidents in line of duty as of the end of the fiscal year under review. The actuarial difference is amortized using the straight-line method over the certain years (twenty-one years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

#### (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 cash flows 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).

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

Amounts are recorded exclusive of tax.

#### (12) Changes in accounting policies

Previously, pensions paid to personnel who suffered from a work-related accident or an accident while commuting, or to their surviving families, were booked as expenses when they were incurred. Since the beginning of the fiscal year under review, such pensions have been stated as "allowance for compensation for accidents in line of duty" after calculating the amount of pension obligations associated with compensation for accidents in line of duty.

Given that Japan Post was to be privatized according to the Law of the Privatization of the Postal Services (2005, Law No. 97), it was unlikely that the new compensation pension would be paid based on the Government Employees' Accident Compensation Law (1951, Law No. 191). Accordingly, Japan Post made the above change in order to recognize pension obligations associated with compensation for accidents in line of duty, which Japan Post should bear, and disclose its financial conditions appropriately.

With this change, Japan Post booked a one-time charge of 30,057 million yen related to compensation for accidents in line of duty at the beginning of the fiscal year under review under extraordinary losses. The said charge is included in "One-time provision for reserve for expenses for adjustment resources etc."

As a result, compared with the conventional method, ordinary profit and net loss increased 715 million yen and 29,341 million yen, respectively.

#### (13) Additional information

Since Japan Post was going to 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 as of April 23, 2007 on expenses for adjustment resources. Under the agreement, the expenses were limited to those in and after FY 2007 regarding former postal personnel and their surviving families. Previously, the said expenses for adjustment resources were booked when they were incurred. Now that it has become possible to rationally estimate liabilities concerning adjustment resources, such liabilities are included in "allowance for employees' retirement benefits," beginning in the fiscal year under review.

Among the expenses for the retirement mutual aid pension of national government employee, some expenses were also calculated and booked for governmental pensions or the pension benefits for the service period in and before December 1958, beginning in the fiscal year under review as well as adjustment resources. The said expenses are included in "allowance for employees' retirement benefits."

Japan Post recorded 1,384,310 million yen as a one-time disposal of expenses for adjustment resources and 5,211 million yen as a one-time disposal of expenses for pensions to public servants in extraordinary losses at the beginning of the fiscal year under review. The said disposals are included in "one-time disposal of burden charge for adjustment resources."

## 2. Financial Statements of Japan Post as a Whole

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

	Unit: million yen	
	As of March 31, 2007	As of September 30, 2007
<b>Assets</b>		
Cash and deposits .....	6,802,350	7,640,405
Call loans .....	1,304,600	800,000
Receivables under resale agreements .....	119,893	—
Monetary receivables purchased .....	29,989	—
Money held in trust .....	9,502,506	6,502,577
Securities .....	249,235,118	254,800,063
Deposits to the fiscal loan fund .....	52,243,500	38,858,500
Loans .....	26,090,419	25,405,803
Premises and equipment, net .....	2,865,249	2,948,433
Other assets .....	1,636,868	1,504,515
Allowance for doubtful accounts .....	(12,011)	(3,473)
<b>Total assets</b> .....	<b>349,818,485</b>	<b>338,456,824</b>
<b>Liabilities</b>		
Postal savings .....	185,822,575	180,064,175
Policy reserves .....	113,108,840	111,936,937
Borrowings .....	28,200,000	24,810,000
Other liabilities .....	9,378,853	9,318,660
Reserve for employees' bonuses .....	120,983	125,313
Reserve for employees' retirement benefits .....	2,428,117	3,818,425
Reserve for directors' retirement benefits .....	102	—
Allowance for compensation for accidents in the line of duty .....	—	29,341
Reserve for price fluctuations .....	626,501	672,538
<b>Total liabilities</b> .....	<b>339,685,974</b>	<b>330,775,392</b>
<b>Capital</b>		
Capital .....	1,268,807	1,268,807
Government investment in capital .....	1,268,807	1,268,807
Retained earnings .....	6,415,420	5,010,841
Reserve fund .....	5,472,853	5,452,843
Net income (loss) .....	942,567	(442,002)
Net unrealized profit or loss on securities .....	2,448,282	1,401,783
<b>Total capital</b> .....	<b>10,132,510</b>	<b>7,681,432</b>
<b>Total liabilities and capital</b> .....	<b>349,818,485</b>	<b>338,456,824</b>



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

Item	Unit: million yen	
	For the first half of FY 2006	For the fiscal year ended September 30, 2007
Ordinary income	9,517,819	9,921,643
Postal Service income	836,588	835,214
Postal Savings Service income	1,503,517	1,768,133
Postal Life Insurance Service income	7,177,713	7,318,295
Ordinary expenses	9,119,161	8,713,808
Operating expenses	7,809,006	7,423,419
Personnel expenses	1,192,152	1,155,188
Taxes and dues	20,642	34,491
Depreciation	95,191	97,585
Other ordinary expenses	2,168	3,124
Net ordinary income	398,658	1,207,834
Extraordinary gains	6,049	20,569
Gain on sale of premises and equipment	249	9,969
Gain on adjustment to income and losses in the previous year	644	5,899
Other extraordinary gains	5,155	4,699
Extraordinary losses	99,123	1,579,238
Loss on disposal of premises and equipment	3,363	18,499
Loss on impairment of fixed assets	67,012	38,571
Provision for reserve for price fluctuations	25,392	46,037
Loss on adjustment to income and losses in the previous year	16	66
One-time provision for reserve for expenses for adjustment resources etc.	—	1,419,578
Other extraordinary losses	3,338	56,484
Provision for policyholders' dividend reserve	67,812	91,168
Net (interim) income (or loss)	237,771	(442,002)

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

Item	Unit: million yen	
	FY 2007 As of September 30, 2007	
Unappropriated retained earnings at the end of the period	442,002	
Net income	442,002	
Appropriation of retained earnings	442,002	
Reversal of reserve fund	442,002	

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

Unit: million yen

	For the first half of FY 2006	For the fiscal year ended September 30, 2007
<b>Cash flows from operating activities</b>		
Net (interim) income (or loss) .....	237,771	(442,002)
Gain on adjustment to income and losses in the previous year .....	(644)	(608)
Loss on adjustment to income and losses in the previous year .....	16	66
Depreciation .....	95,348	97,701
Loss on impairment of fixed assets .....	67,012	38,571
Net change in policy reserves .....	(952,131)	(980,313)
Net change in allowance for doubtful accounts .....	(5,462)	(8,538)
Net change in reserve for employees' bonuses .....	7,596	4,330
Net change in reserve for employees' retirement benefits .....	(17,352)	1,390,308
Net change in reserve for directors' retirement benefits .....	10	(102)
Net change in allowance for compensation for accidents in the line of duty .....	—	29,341
Net change in reserve for price fluctuations .....	25,392	46,037
Net gains (losses) investing activities .....	(1,963,393)	(2,895,036)
Net gains (losses) from disposal of premises and equipment .....	3,125	8,542
Net change in loans .....	(176,533)	23,431
Net change in postal savings .....	(6,102,527)	(5,758,400)
Net gains change in borrowings .....	(2,430,000)	(3,390,000)
Interest received .....	884,365	1,520,626
Interest paid .....	(693,632)	(518,273)
Other, net .....	(355,355)	58,743
Subtotal .....	(11,376,394)	(10,775,573)
Interest and dividends received .....	732,035	982,142
Interest paid .....	(21)	(0)
Dividend payment to insurance policyholders .....	(185,126)	(190,885)
Payment to the national treasury .....	—	(962,576)
Net cash used in operating activities .....	(10,829,506)	(10,946,894)
<b>Cash flows from investing activities</b>		
Purchases of monetary receivables purchased .....	(284,973)	(159,961)
Proceeds from sale and redemption of monetary receivables purchased .....	315,000	190,000
Proceeds from redemption of deposits to the fiscal loan fund .....	14,442,300	13,385,000
Purchases of securities .....	(46,209,578)	(52,232,474)
Proceeds from sale of securities .....	2,965,613	5,135,919
Proceeds from redemption of securities .....	35,317,494	41,717,804
Proceeds from sale of money held in trust .....	1,601,005	3,050,075
Investment in loans .....	(1,660,020)	(1,267,148)
Collection of loans .....	1,479,901	1,928,333
Purchases of premises and equipment .....	(17,522)	(233,965)
Proceeds from sale of premises and equipment .....	3,911	20,305
Other, net .....	167,124	263,111
Net cash provided by investing activities .....	8,120,256	11,796,999
<b>Cash flows from financing activities</b>		
Repayment of lease obligations .....	(3,789)	(0)
Repayment of money transferred from the general account .....	—	(12,320)
Net cash used in financing activities .....	(3,789)	(12,320)
Effect of exchange rate changes on cash and cash equivalents .....	299	270
Net increase (or decrease) in cash and cash equivalents .....	(2,712,740)	838,055
Cash and cash equivalents at the beginning of the year .....	8,962,312	6,802,350
Cash and cash equivalents at the end (end of the interim) of the year .....	6,249,571	7,640,405

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### 3. Financial Statements of Postal Service

#### NON-CONSOLIDATED BALANCE SHEETS (POSTAL SERVICE)

	Unit: million yen	
	As of March 31, 2007	As of September 30, 2007
<b>Assets</b>		
Current assets		
Cash and deposits	316,862	101,882
Accounts receivable - trade	118,932	108,884
Inventories	2,496	11,367
Prepaid expenses	1,210	1,326
Accounts receivable - other	5,628	5,513
Other current assets	231	417
Allowance for doubtful accounts	(161)	(142)
Total current assets	445,198	229,248
Fixed assets		
Tangible fixed assets		
Automotive equipment	10,042	12,332
Accumulated depreciation	(7,354)	(8,098)
Buildings	982,340	1,024,985
Accumulated depreciation	(209,161)	(231,376)
Structures	35,296	38,066
Accumulated depreciation	(12,171)	(13,372)
Machinery and equipment	80,367	79,856
Accumulated depreciation	(42,962)	(45,544)
Tools, furniture and equipment	73,141	88,330
Accumulated depreciation	(36,591)	(43,613)
Land	907,015	914,688
Construction in progress	2,873	983
Total tangible fixed assets	1,782,835	1,817,238
Intangible assets		
Leaseholds	111	570
Telephone subscription rights	447	468
Software	8,662	26,926
Other intangible assets	6,627	249
Total intangible assets	15,849	28,214
Investments and other assets		
Shares in affiliates	891	891
Long-term prepaid expenses	284	448
Other investments and other assets	1,622	1,703
Allowance for doubtful accounts	(1,318)	(1,272)
Total investments and other assets	1,480	1,771
Total fixed assets	1,800,165	1,847,224
Total assets	2,245,364	2,076,473

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As of March 31, 2007 As of September 30, 2007

**Liabilities**

## Current liabilities

Accounts payable - trade .....	46,397	43,385
Short-term borrowings from other business segments of Japan Post .....	360,000	—
Current portion of long-term borrowings from other business segments of Japan Post .....	16,838	—
Accounts payable - other .....	256,580	785,501
Accrued expenses .....	7,825	10,104
Advances received .....	420	321
Postage received in advance .....	44,494	41,388
Deposits received .....	449,373	351,422
Contribution money from postcards with donations .....	705	170
Reserve for employees' bonuses .....	66,793	65,302
Other current liabilities .....	34,205	7,637
Total current liabilities .....	1,283,632	1,305,233

## Long-term liabilities

Long-term borrowings from other business segments of Japan Post .....	111,980	—
Deposits received .....	2,661	2,164
Reserve for employees' retirement benefits .....	1,362,171	2,080,894
Reserve for directors' retirement benefits .....	34	—
Reserve for reimbursement for Fumi Cards .....	3,020	1,159
Allowance for compensation for accidents in the line of duty .....	—	20,001
Other long-term liabilities .....	865	702
Total long-term liabilities .....	1,480,733	2,104,922

## Total liabilities

.....	2,764,366	3,410,156
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**Capital**

Difference from assets and liabilities at the time of establishment of Japan Post .....	(578,220)	(578,220)
Retained earnings .....	59,217	(755,462)
Reserve fund .....	57,344	59,217
Net income (loss) .....	1,873	(814,680)
Total capital .....	(519,002)	(1,333,682)

## Total liabilities and capital

.....	2,245,364	2,076,473
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## NON-CONSOLIDATED STATEMENTS OF INCOME (POSTAL SERVICE)

Item	Unit: million yen	
	For the first half of FY 2006	For the fiscal year ended September 30, 2007
Operating income	850,887	854,481
Operating costs	870,884	833,154
Gross margin (or gross loss)	(19,997)	21,327
Selling, general and administrative expenses	46,369	53,655
Personnel expenses	26,243	27,642
(Provision for reserve for employees' bonuses)	3,310	3,588
(Expenses for employees' retirement benefits)	2,054	2,372
(Provision for reserve for directors' retirement benefits)	5	—
Depreciation	5,356	5,503
Advertising expenses	1,748	2,965
Taxes and dues	3,197	6,296
Provision for allowance for doubtful accounts	72	86
Outsourcing expenses	2,037	3,460
Others	7,712	7,699
Net operating loss	(66,366)	(32,327)
Non-operating income	4,197	4,656
Interest income	0	0
Income from rental property	2,863	3,068
Income from compensation payment for damages	645	503
Other non-operating income	688	1,084
Non-operating expenses	3,785	4,594
Interest expenses	3,279	3,618
Other non-operating expenses	506	976
Net ordinary loss	(65,955)	(32,265)
Extraordinary gains	1,782	1,868
Gain on adjustment to income and losses in the previous year	132	47
Gain on sale of fixed assets	17	29
Gain on return of reserve for reimbursement for Fumi Cards	1,490	1,753
Other extraordinary gains	142	39
Extraordinary losses	7,296	784,283
Loss on adjustment to income and losses in the previous year	1,922	58
Loss on sale of fixed assets	12	29
Loss on disposal of fixed assets	952	6,395
Loss on impairment of fixed assets	3,309	6,568
One-time provision for reserve for expenses for adjustment resources etc.	—	739,020
Other extraordinary losses	1,098	32,210
Net (interim) loss	(71,468)	(814,680)

## NON-CONSOLIDATED STATEMENTS OF OPERATING COSTS (POSTAL SERVICE)

Item	Unit: million yen	
	For the first half of FY 2006	For the fiscal year ended September 30, 2007
Personnel costs	672,861	632,748
(Provision for reserve for employees' bonuses)	71,060	61,713
(Expenses for employees' retirement benefits)	45,573	46,863
Other costs		
Fuel costs	4,344	4,531
Automotive repair costs	2,764	3,227
Procurement costs for stamps and postcards	2,744	2,784
Depreciation	30,047	33,274
Rental expenses	13,371	10,558
Taxes and dues	1,719	1,751
Fees for entrusting collection and delivery	87,752	82,560
Handling costs	13,047	13,018
Other	42,232	48,698
Total costs	198,023	200,405
Total operating costs	870,884	833,154

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

Unit: million yen

	For the first half of FY 2006	For the fiscal year ended September 30, 2007
<b>Cash flows from operating activities</b>		
Net (interim) loss	(71,468)	(814,680)
Gain on adjustment to income and losses in the previous year	(132)	(47)
Loss on adjustment to income and losses in the previous year	1,922	58
Depreciation	35,561	38,893
Loss on impairment of fixed assets	3,309	6,568
Net change in allowance for doubtful accounts	(3,384)	(65)
Net change in reserve for employees' bonuses	3,824	(1,490)
Net change in reserve for employees' retirement benefits	(10,239)	718,723
Net change in reserve for directors' retirement benefits	3	(34)
Net change in reserve for reimbursement for Fumi Cards	(1,432)	(1,860)
Net change in allowance for compensation for accidents in the line of duty	—	20,001
Interest income	(0)	(0)
Interest expenses	3,279	3,618
Gain on sale of tangible fixed assets	(17)	(29)
Loss on sale of tangible fixed assets	13	42
Loss on disposal of tangible fixed assets	963	6,271
Net change in accounts receivable – trade	8,671	10,138
Net change in inventories	(1,636)	(8,871)
Net change in accounts payable – trade	482	(3,011)
Net change in accrued payables – other	(77,792)	(157,486)
Net change in deposits received	(99,725)	(98,448)
Net change in accrued consumption tax	9,640	(14,242)
Other, net	(6,084)	(3,887)
Subtotal	(204,242)	(299,840)
Interest received	0	0
Interest paid	(3,295)	(2,830)
Net cash used in operating activities	(207,538)	(302,671)
<b>Cash flows from investing activities</b>		
Purchases of shares in affiliates	(42)	—
Purchases of tangible fixed assets	(9,161)	(86,962)
Proceeds from sales of tangible fixed assets	64	176
Other, net	(2,886)	(13,783)
Net cash used in investing activities	(12,025)	(100,568)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,082,000	997,000
Repayment of short-term borrowings	(981,000)	(788,000)
Repayment of long-term borrowings	(9,530)	(8,419)
Repayment of lease obligations	(3,788)	(0)
Repayment of money transferred from the general account	—	(12,320)
Net cash provided by financing activities	87,681	188,260
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase in cash and cash equivalents	(131,882)	(214,979)
Cash and cash equivalents at the beginning of the year	203,746	316,862
Cash and cash equivalents at the end (end of the interim) of the year	71,864	101,882

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## 4. Financial Statements of Postal Savings Service

### NON-CONSOLIDATED BALANCE SHEETS (POSTAL SAVINGS SERVICE)

Unit: million yen

	As of March 31, 2007	As of September 30, 2007
<b>Assets</b>		
Cash and deposits	5,377,477	5,703,496
Call loans	1,000,000	800,000
Receivables under resale agreements	119,893	—
Money held in trust	1,927,293	603,123
Securities	165,016,502	170,509,254
Deposits to the fiscal loan fund	52,243,500	38,858,500
Loans	4,376,059	4,561,627
Other assets	943,608	794,239
Premises and equipment, net	633,523	686,750
Allowance for doubtful accounts	(9,618)	(1,202)
<b>Total assets</b>	<b>231,628,239</b>	<b>222,515,789</b>
<b>Liabilities</b>		
Postal money orders	9,732	13,082
Postal giros	6,124,997	6,442,054
Postal savings	185,822,575	180,064,175
Borrowings	28,200,000	24,810,000
Other liabilities	2,428,091	2,555,897
Reserve for employees' bonuses	33,219	37,562
Reserve for directors' bonuses	17	—
Reserve for employees' retirement benefits	595,088	1,003,271
Reserve for directors' retirement benefits	34	—
Allowance for compensation for accidents in the line of duty	—	3,861
<b>Total liabilities</b>	<b>223,213,756</b>	<b>214,929,905</b>
<b>Capital</b>		
Difference from assets and liabilities at the time of establishment of Japan Post	1,804,415	1,804,415
Retained earnings	6,356,202	5,766,303
Reserve fund	5,415,509	5,393,626
Net income	940,693	372,677
Net unrealized profit or loss on securities	253,863	15,164
<b>Total capital</b>	<b>8,414,482</b>	<b>7,585,884</b>
<b>Total liabilities and capital</b>	<b>231,628,239</b>	<b>222,515,789</b>

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## NON-CONSOLIDATED STATEMENTS OF INCOME (POSTAL SAVINGS SERVICE)

Unit: million yen

	For the first half of FY 2006	For the fiscal year ended September 30, 2007
Ordinary income .....	1,505,864	1,771,539
Interest income .....	1,429,247	1,311,040
Income from service transactions .....	59,914	61,154
Other operating income .....	5,629	385,903
Other ordinary income .....	11,073	13,440
Ordinary expenses .....	1,174,060	954,458
Interest expenses .....	466,110	420,045
Expenses for service transactions .....	9,305	9,510
Other operating expenses .....	214,559	4,037
General and administrative expenses .....	482,113	517,542
Other ordinary expenses .....	1,971	3,322
Net ordinary income .....	331,804	817,080
Extraordinary gains .....	4,295	8,379
Gain on disposal of premises and equipment .....	24	5,638
Gain on bad debt recovered .....	59	74
Gain on adjustment to income and losses in the previous year .....	1,436	—
Gain on return of allowance for doubtful accounts .....	1,887	1,516
Gain on donation of fixed assets .....	—	985
Other extraordinary gains .....	887	164
Extraordinary losses .....	26,859	452,782
Loss on disposal of premises and equipment .....	1,987	6,690
Impairment loss .....	23,987	7,733
Loss on adjustment to income and losses in the previous year .....	—	54
One-time provision for reserve for expenses for adjustment resources etc. ....	—	411,240
Other extraordinary losses .....	884	27,063
Net (interim) income .....	309,240	372,677

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

Unit: million yen

	For the first half of FY 2006	For the fiscal year ended September 30, 2007
<b>Cash flows from operating activities</b>		
Net (interim) income	309,240	372,677
Gain on adjustment to income and losses in the previous year	(1,436)	—
Loss on adjustment to income and losses in the previous year	—	54
Depreciation	42,878	43,275
Impairment loss	23,987	7,733
Net change in allowance for doubtful accounts	(2,088)	(8,416)
Net change in reserve for employees' bonuses	3,089	4,342
Net change in reserve for directors' bonuses	(15)	(17)
Net change in reserve for employees' retirement benefits	(3,123)	408,183
Net change in reserve for directors' retirement benefits	3	(34)
Net change in allowance for compensation for accidents in the line of duty	—	3,861
Interest income	(1,429,247)	(1,311,040)
Interest expense	466,110	420,045
Net gain and loss on securities	88,899	(338,339)
Gain on money held in trust	124,515	(29,190)
Foreign exchange gains (losses), net	(2,423)	(13,026)
Net loss on disposal of premises and equipment	1,962	1,051
Net change in loans	(277,533)	(185,568)
Net change in postal money orders	(934)	3,350
Net change in postal giros	162,342	317,057
Net change in postal savings	(6,102,527)	(5,758,400)
Net change in borrowings	(2,430,000)	(3,390,000)
Net change in call loans, bills bought and receivables under resale agreements	(220,488)	319,893
Interest received	884,493	1,520,839
Interest paid	(693,632)	(518,273)
Gain on donation of fixed assets	—	(985)
Other, net	66,710	(82,010)
Subtotal	(8,989,218)	(8,212,937)
Payment to the national treasury	—	(962,576)
Net cash used in operating activities	(8,989,218)	(9,175,513)
<b>Cash flows from investing activities</b>		
Proceeds from redemption of deposits to the fiscal loan fund	14,442,300	13,385,000
Purchases of securities	(36,675,160)	(40,782,364)
Proceeds from sale of securities	2,273,509	3,605,778
Proceeds from redemption of securities	26,404,562	32,051,048
Proceeds from sale of money held in trust	650,005	1,353,359
Purchases of premises and equipment	(6,065)	(106,808)
Proceeds from sale of premises and equipment	297	12,627
Other, net	(2,592)	(17,378)
Net cash provided by investing activities	7,086,855	9,501,261
<b>Cash flows from financing activities</b>		
Repayment of lease obligations	(0)	(0)
Net cash used in financing activities	(0)	(0)
Effect of exchange rate changes on cash and cash equivalents	299	270
Net increase (or decrease) in cash and cash equivalents	(1,902,063)	326,018
Cash and cash equivalents at the beginning of the year	6,833,580	5,377,477
Cash and cash equivalents at the end (end of the interim) of the year	4,931,517	5,703,496

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## 5. Financial Statements of Postal Life Insurance Service

### NON-CONSOLIDATED BALANCE SHEETS (POSTAL LIFE INSURANCE SERVICE)

Unit: million yen

	As of March 31, 2007	As of September 30, 2007
<b>Assets</b>		
Cash and deposits .....	1,122,361	2,001,507
Call loans .....	304,600	—
Monetary receivables purchased .....	29,989	—
Money held in trust .....	7,575,213	5,899,453
Securities .....	84,217,724	84,289,917
Loans .....	22,203,178	21,533,574
Premises and equipment, net .....	450,128	445,974
Other assets .....	709,018	755,755
Allowance for doubtful accounts .....	(912)	(855)
<b>Total assets</b> .....	<b>116,611,301</b>	<b>114,925,328</b>
<b>Liabilities</b>		
Policy reserves .....	113,108,840	111,936,937
Other liabilities .....	147,084	124,434
Reserve for employees' bonuses .....	20,952	22,449
Reserve for employees' retirement benefits .....	470,857	734,259
Reserve for directors' retirement benefits .....	34	—
Allowance for compensation for accidents in the line of duty .....	—	5,478
Reserve for price fluctuations .....	626,501	672,538
<b>Total liabilities</b> .....	<b>114,374,271</b>	<b>113,496,097</b>
<b>Capital</b>		
Difference from assets and liabilities at the time of establishment of Japan Post ...	42,612	42,612
Retained earnings .....	—	—
Net income .....	—	—
Net unrealized profit or loss on securities .....	2,194,418	1,386,618
<b>Total capital</b> .....	<b>2,237,030</b>	<b>1,429,231</b>
<b>Total liabilities and capital</b> .....	<b>116,611,301</b>	<b>114,925,328</b>

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

Unit: million yen

	For the first half of FY 2006	For the fiscal year ended September 30, 2007
Ordinary income	7,185,531	7,336,214
Insurance premiums	4,802,615	4,570,205
Investment income	1,281,163	1,663,794
Other ordinary income	1,101,753	1,102,214
Ordinary expenses	7,052,722	6,895,729
Insurance claims and other insurance payments	6,652,809	6,580,234
Provision for reserve for insurance contracts	50,522	11,573
Investment expenses	66,839	22,366
Operating expenses	259,485	256,340
Other ordinary expenses	23,065	25,213
Net ordinary income	132,808	440,485
Extraordinary gains	2,079	10,370
Gain on disposal of premises and equipment	207	4,320
Gain on adjustment to income and losses in the previous year	1,183	5,901
Other extraordinary gains	688	148
Extraordinary losses	67,076	359,687
Loss on disposal of premises and equipment	425	5,604
Impairment loss	39,715	24,268
Provision for reserve for price fluctuations	25,392	46,037
Loss on adjustment to income and losses of the previous year	201	1
One-time provision for reserve for expenses for adjustment resources etc.	—	269,318
Other extraordinary losses	1,340	14,456
Provision for policyholders' dividend reserve	67,812	91,168
Net (interim) income (or loss)	—	—

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

Unit: million yen

	For the first half of FY 2006	For the fiscal year ended September 30, 2007
Cash flows from operating activities		
Net (interim) income	—	—
Gain on adjustment to income and losses in the previous year	(1,183)	(609)
Loss on adjustment to income and losses of the previous year	201	1
Depreciation	16,908	15,532
Impairment loss	39,715	24,268
Net change in reserve for outstanding claims	38,946	(23,607)
Net change in reserve for insurance contracts	(1,070,466)	(1,059,447)
Provision for accumulated interest of policyholders' dividends	11,575	11,573
Provision for policyholders' dividend reserve	67,812	91,168
Net change in allowance for doubtful accounts	10	(56)
Net change in reserve for employees' bonuses	697	1,496
Net change in reserve for employees' retirement benefits	(3,989)	263,401
Net change in reserve for directors' retirement benefits	3	(34)
Net change in allowance for compensation for accidents in the line of duty	—	5,478
Net change in reserve for price fluctuations	25,392	46,037
Interest, dividends and other income	(773,939)	(811,967)
Gain on money held in trust	(505,916)	(744,816)
Net loss on securities	66,616	(77,219)
Foreign exchange gains (losses), net	(1,267)	(7,302)
Net loss on disposal of premises and equipment	203	1,208
Net change in other assets (excluding assets related to investing and financing activities)	(203,426)	(32,767)
Net change in other liabilities (excluding assets related to investing and financing activities)	(9,006)	(20,850)
Other, net	264	(728)
Subtotal	(2,300,846)	(2,319,241)
Interest, dividends and other income received	735,182	984,760
Dividend payment to insurance policyholders	(185,126)	(190,885)
Net cash used in operating activities	(1,750,790)	(1,525,367)
Cash flows from investing activities		
Purchase of call loans	(3,641,600)	(4,123,000)
Proceeds from redemption of call loans	3,820,400	4,427,600
Purchase of monetary receivables purchased	(284,973)	(159,961)
Proceeds from sale and maturity of monetary receivables purchased	315,000	190,000
Proceeds from sale of money held in trust	951,000	1,696,715
Payments for purchases of securities	(9,534,376)	(11,450,109)
Proceeds from sale and redemption of securities	9,605,037	11,196,897
Investment in loans	(1,660,020)	(1,267,148)
Collection of loans	1,489,431	1,936,752
Other, net	30	(62)
Subtotal	1,059,929	2,447,683
(Net cash used in operating activities + subtotal)	(690,861)	922,316
Purchases of premises and equipment	(2,276)	(40,713)
Proceeds from sale of premises and equipment	3,486	7,672
Other, net	(6,132)	(10,128)
Net cash provided by investing activities	1,055,006	2,404,514
Cash flows from financing activities		
Repayment of lease obligations	(0)	(0)
Net cash used in financing activities	(0)	(0)
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (or decrease) in cash and cash equivalents	(695,784)	879,146
Cash and cash equivalents at the beginning of the year	1,946,793	1,122,361
Cash and cash equivalents at the end (end of the interim) of the year	1,251,009	2,001,507

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