Financial Data

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1. Japan Post Group Companies—Consolidated Financial Data

Financial Data

The financial statements of Japan Post Group Companies are audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

1 Consolidated Balance Sheet (As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Cash and due from banks	¥12,474,560	Deposits	¥180,743,367
Call loans and bills bought	4,443,686	Policy reserves	108,479,918
Receivables under resale agreements	149,803	Reserve for outstanding claims	888,173
Receivables under securities borrowing transactions	1,454,885	Policy reserve	104,735,362
Commercial paper and other debt purchased	80,889	Reserve for policyholder dividends	2,856,381
Trading account securities	172	Payables under securities lending transactions	1,636,572
Money held in trust	2,274,112	Borrowed money	20,722,339
Securities	258,124,148	Foreign exchange	327
Loans and bills discounted	23,670,811	Other liabilities	3,216,236
Foreign exchange	13,453	Reserve for employees' bonuses	124,055
Deposits to the Fiscal Loan Fund	20,700,000	Reserve for employees' retirement benefits	3,767,187
Other assets	819,246	Reserve for directors' retirement benefits	477
Tangible fixed assets	2,996,088	Reserve for price fluctuations	559,002
Buildings	1,257,530	Deferred tax liabilities	10,133
Land	1,463,579	Negative goodwill	17,239
Construction in progress	2,775	Total Liabilities	¥319,276,857
Other tangible fixed assets	272,202	Net Assets	
Intangible fixed assets	122,749	Shareholders' equity	
Software	119,397	Capital stock	¥ 3,500,000
Goodwill	784	Capital surplus	4,503,856
Other intangible fixed assets	2,567	Retained earnings	347,695
Deferred tax assets	268,757	Total shareholders' equity	8,351,551
Allowance for doubtful accounts	(5,075)	Contribution to society and community funds	4,259
		Valuation and translation adjustments	
		Net unrealized gain (loss) on other securities	(49,658)
		Total valuation and translation adjustments	(49,658)
		Minority interests	5,280
		Total Net Assets	¥ 8,311,433
Total Assets	¥327,588,290	Total Liabilities and Net Assets	¥327,588,290

2 Consolidated Income Statement (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount	
Ordinary income		¥10,097,968
Postal service income	¥1,038,373	
Banking service income	1,324,950	
Insurance service income	7,680,841	
Other ordinary income	53,802	
Ordinary expenses		9,659,228
Operating expenses	8,306,319	
Personnel expenses	1,191,164	
Depreciation	111,200	
Other ordinary expenses	50,544	
Net ordinary income		438,739
Extraordinary gains		114,817
Gain on disposal of property	11	
Gains on collection of written-off claims	174	
Reversal of reserve for price fluctuations	113,536	
Other extraordinary gains	1,095	
Extraordinary losses		3,308
Loss on disposal of fixed assets	2,323	
Impairment loss	864	
Other extraordinary losses	119	
Provisions for policyholders' dividend reserves		106,910
Net income before income taxes and minority interests		443,338
Income taxes current	336,515	
Income taxes deferred	(170,696)	165,818
Minority interests		229
Net income		¥ 277,290

3 Consolidated Statement of Changes in Net Assets (For the period from April 1,2007 to March 31,2008)

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the end of the previous fiscal year	¥ 150,000	¥ 150,000	¥ 51	¥ 300,051
Changes in items during the period				
Issuance of new shares	3,350,000	4,353,856		7,703,856
Tax effect (deferred) due to privatization			74,613	74,613
Net income			277,290	277,290
Contribution to society and community funds			(4,259)	(4,259)
Changes in items other than shareholders' equity				
Total changes in items during the period	3,350,000	4,353,856	347,643	8,051,499
Balance as of March 31, 2008	¥3,500,000	¥4,503,856	¥347,695	¥8,351,551

(Millions of yen)

	Contribution to society and community funds	Valuation and translation adjustments	Minority interests	Total net assets
		Valuation difference on other securities		
Balance at the end of the previous fiscal year	¥ —	¥ 258	¥ —	¥ 300,310
Changes in items during the period				
Issuance of new shares				7,703,856
Tax effect (deferred) due to privatization				74,613
Net income				277,290
Contribution to society and community funds				(4,259)
Changes in items other than shareholders' equity	4,259	(49,916)	5,280	(40,376)
Total changes in items during the period	4,259	(49,916)	5,280	8,011,123
Balance as of March 31, 2008	¥4,259	¥(49,658)	¥5,280	¥8,311,433

4 Significant Accounting Policies and Notes to Financial Statements

Note: Amounts are rounded down to the nearest million yen.

1. Basis of Presentation of Consolidated Financial Statements

1. The accompanying consolidated balance sheet, consolidated statement of income and consolidated statement of changes in net assets of Japan Post Holdings Co., Ltd. are prepared in accordance with the provisions of "Computation of Company's Regulations" (Ministry of Justice, Ministerial Ordinance No. 13 of 2006), in addition to the Ordinance for Enforcement of Banking Act (Ministry of Finance, Ministerial Ordinance No. 10, 1982), and the Ordinance for Enforcement of Insurance Business Act (Ministry of Finance, Ministerial Ordinance No. 5 of 1996). The definitions of group firms, including subsidiaries and affiliates and related companies, follow the provisions of Article 2, Paragraph 8 of the Banking Act and Article 4, Paragraph 2 of the Ordinance for Enforcement of Banking Act.
2. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries and affiliates: 27

Principal group companies

Japan Post Network Co., Ltd., Japan Post Service Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd.

(2) Non-consolidated subsidiaries and affiliates: 7

Principal companies:

Tokyo Beiyu Co., Ltd., Nittei Buturyu Gijyutu Co., Ltd.

3. Matters concerning application of the equity method

(1) Equity-method affiliates: 1

ANA & JP Express Co., Ltd.

(2) Non-consolidated subsidiaries not accounted for by the equity method, affiliates, etc.: 7

Principal companies:

Tokyo Beiyu Co., Ltd., Nittei Buturyu Gijyutu Co., Ltd.

4. Matters concerning the balance sheet dates of consolidated subsidiaries and affiliates

(1) The balance sheet dates of consolidated subsidiaries and affiliates are as follows:

End of February:	1 company
End of March:	26 companies

(2) Financial statements of the consolidated subsidiaries and affiliates closing their books at the end of February as of their balance sheet date are used in the preparation of consolidated financial statements.

There were no significant transactions during the periods from the above balance sheet dates and the balance sheet dates of the consolidated fiscal year financial statements.

5. Summary of significant accounting policies

(1) Valuation criteria and methods for trading securities

Trading securities are stated at fair market value.

(2) Valuation criteria and methods for securities

(i) Held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method. Bonds classified as debt securities earmarked for policy reserves are stated at amortized cost (straight-line method) using the moving-average method in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (JICPA)). Shares of non-consolidated subsidiaries and affiliates not accounted for by the equity method and shares of affiliates not accounted for by the equity method are stated at cost using the moving-average method. Equity securities included in other securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date. Other securities with market quotations are stated at fair market value on the balance sheet date (the cost of securities sold is primarily calculated using the moving-average method). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.

Net unrealized gain or loss on other securities (including gains/losses arising from foreign exchange rate changes, but excluding those securities whose principal is hedged to protect from risk of potential foreign exchange rate changes) is included in net assets.

(ii) Securities managed as assets of money in trust are valued at amortized cost by a method similar to the one stated in (i). The building part of real estate comprising trust assets is stated at amortized cost using the straight-line method. Real estate, excluding buildings, is stated at amortized cost using the declining-balance method.

(3) Valuation criteria and methods for derivative transactions

Derivative transactions are valued by the market value method.

(4) Depreciation methods of fixed assets

(i) Tangible fixed assets

Depreciation of tangible fixed assets (excluding structures and equipment) is computed by the straight-line method. Depreciation on movable property, other than buildings, is computed using the declining-balance method.

Useful lives of principal assets are as follows:

Buildings:	2-50 years
Movable property:	2-75 years

(ii) Intangible fixed assets

Amortization of intangible fixed assets, except software intended for internal use, is computed by the straight-line method. The development costs of software intended for internal use are amortized over the expected useful lives of five years by the straight-line method.

(5) Recognition of allowance for doubtful accounts

(i) To prepare for credit losses on accounts receivable, the Company and its consolidated subsidiaries and affiliates provide an allowance for doubtful accounts for specifically identified doubtful accounts in the amount deemed uncollectible based on an assessment of each account, and for all other accounts based on the historical ratio of losses.

(ii) Allowance for doubtful accounts at the Company's bank subsidiary is provided in accordance with the predefined standards for write-offs and provision of allowance. Normal assets and assets requiring caution are classified in accordance with the Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions (Japanese Institute of Certified Public Accountants, Special Committee for Audits of Banks, etc., Report No. 4) and an allowance is provided based on historical write-off ratios. Claims are classified into normal assets and assets requiring caution and into certain categories, and an allowance for doubtful accounts is provided based on estimated loss ratios. In the case of claims against potentially bankrupt obligors, an allowance is provided in the amount deemed necessary based on overall solvency assessment of the loan, net of the amount expected to be collected from collateral and guarantees. In the case of claims against bankrupt obligors and effectively bankrupt obligors, an allowance is provided in the amount equivalent to the claim, net of the portion of the claim expected to be collected by collateral or guarantees.

At the bank subsidiary, all asset evaluation is based on self-evaluation in accordance with the internal rules and carried out by the Asset Evaluation Division in cooperation with the Marketing Unit. The above allowances are provided based on the results of asset evaluation.

(iii) To prepare for losses on outstanding claims, the Company's insurance subsidiary makes a self-assessment of claims in accordance with the rules for self-assessment of asset quality, write-off and reserve standards and provides a reserve based on the historical write-off ratio, in addition to an allowance for doubtful accounts for specifically identified doubtful claims in the amount deemed uncollectible based on an assessment of each account. In addition, all claims are assessed by asset-related departments in accordance with the rules for self-assessment of asset quality. Subsequently, the asset auditing departments, which are independent from other asset-related departments, conduct audits of the assessment results of the other asset-related departments. Allowance for doubtful accounts is accounted for based on such assessment results as stated above.

Of the claims classified as Class IV, assets written off were in the amount of ¥74 million.

(6) Reserve for employees' bonuses

To provide for the payment of bonuses to employees, a reserve is provided in the amount expected to be incurred at the end of the fiscal year based on the projected obligations at the end of the fiscal year.

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(7) Reserve for employees' retirement benefits

(i) To provide for the payment of retirement benefits to employees, an amount expected to be incurred at the balance sheet date is provided based on the estimated projected benefit obligations on the balance sheet date.

The actuarial difference is amortized as follows:

The actuarial difference is amortized using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees from the fiscal year following the fiscal year in which the difference is recognized.

Past service liability is amortized using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees in the fiscal year the difference is incurred.

(ii) 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 "share of public service pension"), among expenses for the mutual aid pension program of national public service personnel, are booked as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(iii) 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 "share of another public service pension") and retired in and before December 1958, among expenses for the mutual aid pension program of national public service personnel, are booked as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (five years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(8) Reserve for directors' retirement benefits

To provide for the payment of retirement benefits to directors, the Company provides a reserve for directors' retirement benefits, in accordance with its internal rules, that is deemed to have accrued on the balance sheet date.

(9) Translation of foreign currency denominated assets and liabilities

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

(10) Leases

The Company and its consolidated subsidiaries and affiliates account for finance lease transactions, excluding those leases that are considered to transfer the ownership of the leased properties to the lessees, using a method similar to that used for operating leases.

(11) Accounting for hedges

(i) Hedges of interest rate risk

The Company and consolidated subsidiaries and affiliates use interest rate swaps to reduce their exposure to interest rate risk on certain monetary assets and liabilities. The deferred hedge method is employed to account for the financial derivative transactions.

(ii) Hedging for foreign exchange fluctuation risk

The Company and its consolidated subsidiaries and affiliates use market value hedges to reduce their exposure to exchange rate fluctuations on the portion of the net unrealized gain/loss on other securities exposed to foreign exchange fluctuation risk.

With respect to evaluation of hedge efficiency, the Company and its consolidated subsidiaries and affiliates use 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, their hedges are deemed to be highly effective.

(12) Reserve for price fluctuations

The amount of the reserve for price fluctuations is recorded pursuant to the provisions of Article 115 of the Insurance Business Act.

(13) Accounting for consumption taxes

The Company and its consolidated subsidiaries and affiliates state all amounts exclusive of consumption and local taxes (hereafter, consumption and other taxes).

(14) Funding of policy reserves

Policy reserves are provided for in accordance with Article 116 of the Insurance Business Act and calculated as follows.

(i) Reserves for policies subject to standard policy reserves are calculated in accordance with the method determined by the Financial Services Agency (Ministry of Finance Directive 48, 1996).

(ii) Other reserves are calculated in accordance with the net level premium method.

(15) Other

(i) Contribution to society and community funds is provided pursuant to Article 13 of the Japan Post Holdings Law.

(ii) Certain consolidated subsidiaries and affiliates use the consolidated tax system, with the Company as their parent company.

6. Assets and liabilities of consolidated subsidiaries and affiliates

The full valuation method is adopted in valuing assets and liabilities of consolidated subsidiaries and affiliates.

7. Matters concerning amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized up to five years depending on the cause of amortization using the straight-line method. However, small amounts of goodwill are amortized lump-sum in the year in which they are recognized.

2. Notes to Consolidated Balance Sheet

1. Affiliate company stock (and investment in capital) totals (excluding equity securities of consolidated subsidiaries and affiliates and investment in capital) ¥170 million.
2. Securities loaned using unsecured consumption loan contracts (securities lending transactions) include Japanese government bonds in the amount of ¥1,171,519 million.

   For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with repurchase agreements or bond lending transactions secured by cash, the balance of the portion of securities where the Company has the right to unrestricted disposal of securities through sales or the reuse (pledge) as collateral was ¥152,111 million.
3. The consolidated balance sheet amount for securities (Japanese government bonds) in the securities trust established to engage in securities lending transactions for income was ¥2,012,804 million.
4. There were no claims against bankrupt obligors, past-due claims, past-due claims (three months or more) and reconstructed claims in loans (loans and bills discounted).
5. Assets pledged as collateral are as follows:

Assets pledged as collateral	
Securities:	¥113,317,488 million
Tangible fixed assets:	¥2,771 million
Liabilities corresponding to assets pledged as securities	
Deposits:	¥109,535,882 million
Borrowed money:	¥10,805 million

   In addition to the above, assets pledged as collateral include securities pledged as collateral for an overdraft facility at the Bank of Japan in the amount of ¥1,361,157 million.
6. Consolidated subsidiaries and affiliates obtain securities as collateral for customers using their advanced postage payment service. The market value of securities deposited as collateral was ¥98 million on the balance sheet date.
7. Accumulated depreciation on tangible fixed assets: ¥125,797 million
8. Net assets per share: ¥55,374.35
9. In addition to the fixed assets carried on the balance sheet, the Company uses certain office equipment under finance lease agreements in which the ownership of the leased asset is not transferred.
10. Retirement benefit liabilities as of March 31, 2008 were as follows:

(1) Retirement benefit liabilities:

Retirement benefit liabilities, etc.:	¥ (3,772,196) million
Pension fund assets:	¥22,705 million
Unfunded retirement benefit liabilities:	¥ (3,749,490) million
Unrecognized actuarial difference:	¥ (18,288) million
Unrecognized past service liabilities:	¥591 million

Net amount carried on consolidated balance sheet: ¥ (3,767,187) million
Prepaid pension costs: —
Retirement benefit reserve: ¥ (3,767,187) million

(2) The retirement benefit liabilities in (1) corresponding to "5. Summary of significant accounting policies, (7) (ii) share of public service pension" were as follows:
Retirement benefit liabilities concerning share of public service pension: ¥ (1,281,969) million
Unrecognized actuarial difference: ¥ 1,305 million
Retirement benefit reserve for share of public service pension ¥ (1,280,664) million

(3) The retirement benefit liabilities in (1) corresponding to "5. Summary of significant accounting policies, (7) (iii) share of another public service pension" were as follows:
Retirement benefit liabilities concerning share of another public service pension: ¥ (4,268) million
Unrecognized actuarial difference: ¥ (20) million
Retirement benefit reserve for share of another public service pension: ¥ (4,288) million

11. Changes in reserve for policyholder dividends
The following shows changes in reserve for policyholder dividends.
Balance received from the former Japan Post: ¥2,932,089 million
Increase by transfer from the reserves for outstanding claims: ¥2,972 million
Dividend payments to policyholders during the year: ¥197,883 million
Increase by interest accrued during the year: ¥12,881 million
Decrease by purchasing additional benefit contracts: ¥589 million
Provisions for reserve for policyholder dividends: ¥106,910 million
Reserves at the end of current fiscal year: ¥2,856,381 million

12. The policy reserves (except for the risk reserve) related to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance amount to ¥101,040,914 million. The amount was calculated based on the prescribed calculation method for premiums and policy reserves and it will not be lower than the amount calculated by the calculation method for the policy reserves of the postal life insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No. 101, 2005).
In addition, with the reinsurance-related segment used as the source, ¥3,076,245 million in risk reserve and ¥559,002 million in reserve for price fluctuations are provided.

13. To establish a comprehensive information-processing system for the Japan Post Group, the Company's subsidiaries and affiliates have signed contracts for outsourcing the provision of communications services for a fourth-generation system for business operations and for outsourcing the provision of communications services for a fourth-generation management information system.
Payments under the provisions of these long-term contracts are expected to total ¥51,063 million.

14. Contingent liabilities
The Company's consolidated subsidiaries and affiliates have assumed the leasing agreements for certain post offices from the former Japan Post. Such contracts state that the lesser retains the right to call for compensation if the Company's consolidated subsidiaries or affiliates cancel all or part of the lease contracts. The amount of such cancellation compensation is to be calculated based on the remaining part of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2008, the potential cancellation claims were ¥106,603 million. However, if the buildings that used to house post offices are not to be demolished, the compensation does not cover all of the remaining part of the initial investment.

3. Notes to Consolidated Income Statement

1. Net income per share: ¥3,555.00
2. "Other ordinary income" includes amortization of negative goodwill in the amount of ¥99 million.
3. "Other ordinary expenses" includes amortization of goodwill in the amount of ¥947 million and loss in the income of non-consolidated subsidiaries in the amount of ¥26 million.
4. Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, ¥106,910 million was provided for policyholders' dividend reserves based on the performance of the segment related to reinsurance.

4. Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued and type and number of treasury shares

(Thousands of shares)

		Number of shares as of previous fiscal year-end	Increase in number of shares in current fiscal year	Decrease in number of shares in current fiscal year	Number of shares as of current fiscal year-end	Remarks
Shares issued						
	Common shares	6,000	144,000	—	150,000	(Note)
Treasury stock						
	Common shares	—	—	—	—	

Note: The increase in shares is due to the issuance of 144,000,000 common shares following the assumption of assets from the former Japan Post in accordance with Article 38, Paragraph 3 of the Law Concerning Postal Privatization, pursuant to Article 166, Paragraph 1 of the said law.

2. Matters concerning dividends
In accordance with Article 11 of the Japan Post Holdings Law, dividend distribution from retained earnings is subject to approval by the Minister of Internal Affairs and Communications.

5. Securities

In addition to securities carried on the consolidated balance sheet, securities include trading securities, CDs included in cash and due from banks (or cash and savings deposits due from banks) and commercial paper included in monetary receivables purchased.

1. Trading securities (As of March 31, 2008)

(Millions of yen)

	Amount carried on the balance sheet	Net unrealized gain/ loss charged to period income
Trading securities	172	—

2. Held-to-maturity bonds with market quotations (As of March 31, 2008)

(Millions of yen)

	Consolidated balance sheet amount	Market value	Net unrealized gain/loss	Of which gain	Of which loss
Japanese government bonds	154,668,312	157,706,526	3,038,213	3,093,057	(54,843)
Japanese local government bonds	8,610,432	8,782,164	171,731	174,650	(2,918)
Japanese corporate bonds	9,256,435	9,419,366	162,931	165,128	(2,196)
Total	172,535,180	175,908,057	3,372,877	3,432,836	(59,959)

Note 1: Market value: Fair market price on the consolidated balance sheet date
Note 2: "Of which gain" and "of which loss" are net unrealized valuation gains and losses, respectively.

3. Securities with market quotations earmarked for policy reserves (as of March 31, 2008)

(Millions of yen)

	Carrying amount on the balance sheet	Market value	Net unrealized gain/loss	Of which gain	Of which loss
Japanese government bonds	38,969,469	39,637,923	668,453	800,918	(132,464)
Japanese local government bonds	2,296,952	2,322,101	25,148	32,377	(7,229)
Japanese corporate bonds	2,770,735	2,782,032	11,296	18,014	(6,717)
Total	44,037,157	44,742,056	704,899	851,310	(146,410)

Note 1: Market value: Fair market price on the consolidated balance sheet date
Note 2: "Of which gain" and "of which loss" are net unrealized valuation gains and losses, respectively.

4. Other securities with market quotations (As of March 31, 2008)

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gain/loss	Of which gain	Of which loss
Stocks	1,333	19,760	18,427	18,429	(2)
Bonds	38,281,182	38,561,466	280,283	324,878	(44,594)
Japanese government bonds	31,896,076	32,095,714	199,638	243,608	(43,969)
Japanese local government bonds	299,645	303,537	3,892	3,915	(23)
Japanese corporate bonds	6,085,461	6,162,213	76,752	77,354	(601)
Other securities	3,021,724	2,990,964	(30,759)	2,759	(33,519)
Total	41,304,240	41,572,191	267,951	346,067	(78,116)

Note 1: Consolidated balance sheet amount: Equity securities: Average market price for the one-month period up to the balance sheet date; Other securities: Fair market value on the balance sheet date

Note 2: "Of which gain" and "of which loss" are net unrealized gain and loss, respectively.

Note 3: Other securities: Primarily foreign bonds

5. Held-to-maturity bonds sold during the fiscal year (April 1, 2007–March 31, 2008)

(Millions of yen)

	Cost of securities sold	Sales amount	Gain/loss on sales
Japanese government bonds	4,100,403	4,100,544	140
Total	4,100,403	4,100,544	140

Rationale: The above securities were sold in accordance with Article 282 of the Accounting Industry Audit Committee Report No. 14 ("Practical Guidance on Accounting for Financial Products") issued by the Japanese Institute of Certified Public Accountants (JICPA).

Note: Gain/loss on sales includes interest on securities.

6. Securities with market quotations earmarked for policy reserves sold during the fiscal year (April 1, 2007–March 31, 2008)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Securities with market quotations earmarked for policy reserves	888,514	—	(11,237)

7. Other securities sold during the fiscal year (April 1, 2007–March 31, 2008)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Other securities	2,233,898	31,645	(51,216)

8. Securities without market quotations and carrying value on the consolidated balance sheet (As of March 31, 2008)

(Millions of yen)

	Amount
Bonds held to maturity	100
Domestic bonds	100
Subsidiary and affiliated-company stock	170
Non-consolidated subsidiary and affiliated-company stock	170
Other securities	4,828,838
Certificates of deposit	4,768,600
Commercial paper	59,981
Privately held stock	173
Other	83

9. Reclassified securities

Not applicable

10. Redemption schedule of other securities with maturity dates, securities held to maturity and securities earmarked for policy reserves (As of March 31, 2008)

(Millions of yen)

	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds	48,114,997	111,426,855	84,253,682	11,338,369
Japanese government bonds	41,662,189	98,905,517	74,568,546	10,597,243
Japanese local government bonds	2,153,296	4,231,427	4,780,315	45,883
Japanese corporate bonds	4,299,510	8,289,911	4,904,820	695,242
Other securities	4,924,156	1,209,621	1,022,428	662,168
Total	53,039,153	112,636,477	85,276,110	12,000,538

Note: Other securities: Primarily foreign bonds

6. Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2008)
   Not applicable
2. Money held in trust classified as held-to-maturity (As of March 31, 2008)
   Not applicable
3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2008)

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gain/loss	Of which gain	Of which loss
Other money held in trust	2,593,523	2,274,112	(319,410)	8,830	(328,241)

Note 1: Consolidated balance sheet amount: Equity securities: Average market price for the one-month period up to the balance sheet date; Other securities: Fair market value on the balance sheet date

Note 2: "Of which gain" and "of which loss" are net unrealized gain and loss, respectively.

7. Subsequent Events

Not applicable

5 Capital Adequacy

1. Qualitative Disclosure

1. Scope of consolidation

(1) Differences in the scope of consolidation compared to the Regulations of Consolidated Financial Statements

The Company calculates its consolidated capital ratio as follows. Pursuant to Article 52–25 of the Banking Act, the bank holding company is required to calculate its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20 of March 27, 2006 (hereafter, Consolidated Capital Adequacy Ratio Disclosure Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. Accordingly, the Group is comprised of the following 26 (hereafter the "Group") for the calculation of the consolidated capital ratio: Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Staff Co., Ltd., Yusei Challenged Co., Ltd., Post Office Business Support Co., Ltd., JP Media Direct Co., Ltd., JP Logistics Partners Co., Ltd., JP Biz Mail Co., Ltd., DM Leading Co., Ltd., JP Logi Service Co., Ltd., Japan Post Transport Co., Ltd., Hokkaido Kosoku Yubin Yuso Co., Ltd., Tohoku Kosokudo Yubin Yuso Co., Ltd., Chiba Yubin Yuso Co., Ltd., Nippon Mail Transportation Co., Ltd., Japan Express Logistics Corp., Tokyo Yubin Yuso Co., Ltd., Kanto Yubin Yuso Co., Ltd., Kanagawa Yubin Yuso Co., Ltd., Hokuriku Kosokudo Yubin Yuso Co., Ltd., Tokai Kosoku Yubin Yuso Co., Ltd., Osaka Yubin Yuso Co., Ltd., Chugoku Kosoku Yubin Yuso Co., Ltd., Shikoku Kosokudo Yubin Yuso Co., Ltd., and Kyushu Kosoku Yubin Yuso Co., Ltd. Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the consolidation. Furthermore, Japan Post Insurance Co., Ltd. falls under the deduction item to shareholders' equity in accordance with Article 20, Paragraph 1-2 (insurance affiliate) of the FSA's Capital Adequacy Ratio Disclosure Notice.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 27 companies, comprising 26 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a group firm.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 68 through 74.

(2) Number of consolidated subsidiaries and principal subsidiaries

For the purpose of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, the Group comprises the Company and the 26 companies noted above.

Principal subsidiaries are: Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., and Japan Post Bank Co., Ltd. See pages 34 to 67 for details on activities of the individual companies.

(3) Affiliates to which Article 21 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice is applicable

Not applicable

(4) Companies to which Article 20, Paragraph 1, Subparagraph 2, Items (i) to (iii) (deductions) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice is applicable:

(a) Companies to which Item (ii) is applicable

Nagano Yubin Yuso Co., Ltd., Yamanashi Yubin Yuso Co., Ltd., Tokyo Beiyu Co., Ltd., Nittei Buturyu Gijyutu Co., Ltd., Nagoya Yubin Yuso Co., Ltd., Kinki Kosoku Yubin Yuso Co., Ltd., and Osaka Air Mail Co., Ltd.

(b) Companies to which Item (iii) is applicable:

Japan Post Insurance Co., Ltd.

(5) Companies engaged primarily in the business defined in Article 52-23-1, Subparagraph 10-(i) of the Banking Act or companies falling under Article 52-23-1, Subparagraph 11 but not belonging to the Group

Not applicable

(6) Restrictions on transfer of funds and common stock among companies in the holding company group

Not applicable

2. Summary of capital funding methods

The Company raises capital through equity financing (issuance of common stock). The Ministry of Finance holds 100% of the outstanding stock of the Company.

3. Summary of evaluation method for capital adequacy of holding company group concerning the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice

With regard to the current adequacy of capital, the consolidanted capital adequacy ratio as of March 31, 2008 calculated in accordance with the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice was 60.91% (Tier I ratio was 69.22%). This level is substantially higher than the 4% capital adequacy ratio required as a minimum standard for banks that operate only in Japan. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risks. A figure for market risk is not included.

*Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire group in accordance with the Basic Policy for Group Risk Management. Please refer to "1. Group Risk Management" on pages 100 and 101 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Risk is monitored and managed by establishing a credit line and credit limit so that the amount of credit risk does not exceed the amount of capital allocated for credit risk, based on the bank's equity and other resources. In addition, Japan Post Bank performs stress tests to be prepared for an increase in credit problems resulting from a major shift in the economy that exceeds the range that can be statistically foreseen.

To control credit concentration risk, Japan Post Bank provides credit limits for individual companies and corporate groups and supervises these limits during each fiscal year. The bank plans to upgrade its credit portfolio management capabilities due to the expected growth in the number of obligors.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Office, positioned as a credit control unit. Within the bank's organization, these units are independent of front-office and back-office operations.

The Risk Management Department is responsible for the internal credit rating system, self-assessments of loans and other credit risk activities.

The Credit Office is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of proposal loans.

The Risk Management Committee, ALM Committee and Executive

Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Japan Post Bank conducts credit business with the fundamental principles of public welfare, financial soundness and profitability. The bank has a "Credit Business Code" to underpin sound and appropriate credit business activities by all executives and employees, in which the bank has defined in writing its basic philosophy, behavior guidelines, and other items of credit business.

The allowance for doubtful accounts is based on predetermined standards for writing off loans and making additions to this allowance. Japan Post Bank provides this reserve as follows for each obligor category prescribed by the Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions (Japanese Institute of Certified Public Accountants, Special Committee for Audits of Banks, etc., Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by asset assessment departments with the cooperation of marketing departments.

Japan Post Bank continuously monitors obligors' ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner.

(2) Portfolios where standardized approach is applied

(i) Qualified rating agencies, etc. used in making judgments on risk weights

When making judgments on risk weights, Japan Post Bank uses the credit ratings of four rating agencies and the Organization for Economic Cooperation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service Inc. (Moody's); and Standard & Poor's Rating Service (S&P).

For the calculation of the consolidated capital adequacy ratio, Japan Post Holdings also uses the ratings of Fitch Ratings.

(ii) Qualified rating agencies, etc. used in making judgments on risk weights for each category of exposure

Japan Post Bank uses the following qualified rating agencies, etc. for the following credit risk exposure categories.

When there are ratings from more than one rating agency, Japan Post Bank bases risk weighting decisions on Ministerial Notification of Capital Adequacy Ratio of the Financial Services Agency No. 19, March 27, 2006 (hereafter "Capital Adequacy Ratio Notice"). Based on this standard, the bank uses the rating corresponding to the second-smallest risk weighting from among all ratings.

Risk exposure		Rating agencies used
National governments and central banks	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P, OECD
Japanese local governments and their agencies		R&I, JCR, Moody's, S&P
Foreign public-sector entities other than national governments		Moody's, S&P, OECD
International development banks		Moody's, S&P
Japanese national government-affiliated agencies		R&I, JCR, Moody's, S&P
Financial institutions	Residential	R&I, JCR, Moody's, S&P
Primary financial instrument dealers	Non-residential	Moody's, S&P, OECD
Corporate	Residential	R&I, JCR, Moody's, S&P
	Non-residential	Moody's, S&P
Securitization		R&I, JCR, Moody's, S&P

5. Summary of risk management policy and procedures for credit risk mitigation technique

When calculating the capital adequacy ratio, Japan Post Bank applies the "credit risk mitigation technique" prescribed in the Capital Adequacy Ratio Notice. These techniques are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These techniques include qualified financial collateral, the netting of loans and offsetting self-deposits, and credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts only self-deposits as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses the "simple approach" prescribed in the Capital Adequacy Ratio Notice for a credit risk mitigation technique.

There are internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self-deposits and types and scope of applicable transactions

For the use of the netting of loans and self-deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., the remaining after netting loans and self-deposits is used as the amount of exposure for calculating the capital adequacy ratio.

This does not currently apply to Japan Post Bank.

■ Categories and credit standing of guarantors and major credit derivative counterparties

This item applies to Japanese government-guaranteed bonds, where the Japanese national government is the guarantor. There is no balance of credit derivatives.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Not applicable

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation techniques

Not applicable

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long-term settlements

(1) Policy for calculating collateral protection and derivative transaction loss allowance, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the bank believes that the impact would be negligible.

No collateral concerning derivative transactions was provided as of March 31, 2008.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit lines and allocation of capital for risk exposure

Japan Post Bank assigns credit ratings based on an evaluation of the credit standing of all counterparties. There are no particular concerns about the credit standings of counterparties.

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit lines in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is included in the allocation of capital for market risk.

7. Securitization exposure to securitized instruments

(1) Summary of risk management policy and procedures

As an investor, Japan Post Bank is exposed to risks associated with securitization. When purchasing securitization exposure, the bank provides credit limits based on obligor ratings assigned in accordance not only with external credit ratings, but also with the bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the bank monitors external credit ratings, the status of recovering underlying assets and other factors. In addition, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk.

(2) Method used to calculate credit risk and assets for securitization exposure

Japan Post Bank uses the standardized approach prescribed in the Capital Adequacy Ratio Notice for calculating credit risk for securitization exposure.

(3) Accounting policy on securitized transactions

For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank uses Corporate Accounting Standard No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, the Business Accounting Council).

(4) Qualified rating agencies used in making judgments on risk weights for securitization exposure by category

Japan Post Bank uses the ratings of four credit rating agencies for the calculation of credit risk exposure and assets involving securitized instruments: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service Inc. (Moody's); and Standard & Poor's Rating Service (S&P).

8. Operational risk

(1) Summary of risk management policy and procedures

The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives, employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, computer system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk. To maintain the suitability of business operations, Japan Post Bank manages operational risk by using the basic approach of identifying, evaluating, controlling, monitoring and reducing these risks.

To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of the impact on operations. The bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The bank periodically uses a Risk & Control Self-assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Through RCSA, areas in which risk management needs to be improved and areas in which risk management needs to be reinforced are identified.

(2) Method used and name for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" prescribed in the Capital Adequacy Ratio Notice with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, stocks and other exposure in banking account

Japan Post Bank, which is a company engaged in the banking business that belongs to the holding company's group as prescribed in the consolidated Capital Adequacy Ratio Notice, has no exposure to investments, etc. or stock, etc.

10. Interest rate risk in the banking account

(1) Summary of risk management policy and procedures

Interest rate risk is the risk of incurring a loss due to changes in interest rates and the risk of a decline in earnings or loss resulting from changes in interest rates when there is an interest rate or maturity mismatch between assets and liabilities.

At Japan Post Bank, market investments (Japanese government bonds) account for the majority of assets and *TEIGAKU* deposits account for the majority of liabilities. The bank has a market risk management system that reflects the characteristics and risk profile of these operations.

When measuring the volume of market risk, Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, in accordance with the bank's equity capital and other indicators of financial resources. In addition, Japan Post Bank performs stress tests to simulate extreme market volatility that exceeds the range of statistical estimates.

To provide a system of checks and balances for market risk management, Japan Post Bank has established a Market Risk Management Office within the risk management units, which is positioned as a middle office unit that is independent of front-office and back-office units.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions concerning matters involving the establishment and operation of market risk management system and the execution of market risk management.

For reaching proper decisions quickly, daily reports are submitted to senior management concerning the volume of market risk (VaR), compliance with limits and loss limits for market risk and other items. In addition, Japan Post Bank analyzes risk on a regular basis by using back testing and stress testing and reports the results of these tests to the ALM Committee and other organizational units. These activities are aimed at consistently generating earnings while properly controlling market risk.

(2) Summary of method for calculating banking account interest rate risk for internal management

Japan Post Bank uses the historical simulation method for the internal model used to measure the volume of market risk (VaR). The bank uses a one-tailed confidence interval of 99%, a holding period of 240 business days (one year) and an observation period of 1,200 business days (five years).

For liquid deposits, Japan Post Bank uses as core deposits the smallest of (a) the smallest balance over the past five years, (b) the current balance (on the record date) less the maximum annual outflow over the past five years and (c) 50% of the current balance (on the record date). The bank assumes that the maximum maturity is five years (average of about 2.5 years). For time deposits, the bank performs measurements by using estimated future cash flows based on a model.

2. Quantitative Disclosure

1. Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall

Names of companies with lower-than-required level of capital adequacy and the total amount of shortfall, among companies qualifying for deduction to capital in accordance with Article 8, Paragraph 1-2, Items (a) to (c) and Article 20, Paragraph 1-2, Items (a) to (c) of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Not applicable

2. Capital structure

Consolidated capital ratio (domestic standard)

(Millions of yen)

Item			March 31, 2008
Core capital (Tier 1)	Capital stock		3,500,000
		Of which non-accumulating permanent preferred stock	—
	Deposit for subscription to shares		—
	Capital surplus		4,503,856
	Retained earnings		319,840
	Treasury stock (deduction)		—
	Deposit for subscription to treasury stock		—
	Amount scheduled for disbursement		(8,520)
	Net unrealized gain/loss on other securities		—
	Foreign currency translation adjustments		—
	Stock acquisition rights		—
	Minority interests in consolidated subsidiaries		5,280
		Preferred securities issued by foreign SPC	—
	Trade rights equivalents (deduction)		—
	Goodwill equivalents (deduction)		(784)
	Intangible fixed assets equivalents recognized as a result of merger (deduction)		—
	Amount equivalent to increase in shareholders' equity resulting from securitization transactions (deduction)		—
	Deduction for deferred tax assets		—
	Total core capital (Tier I) (A)		8,319,673
		Equity securities, etc., with probability of being redeemed (carrying covenant regarding step-up interest rate) (Note 3)	—
Supplementary capital (Tier 2)	Amount equivalent to 45% of the difference between reappraised land value and book value immediately before revaluation		—
	Allowance for doubtful accounts (general reserve)		1,088
	Capital raised through debt financing		—
	Total supplementary capital, Tier II capital (B)		1,088
Sub-supplementary capital (Tier 3)	Short-term subordinated debt		—
	Total sub-supplementary capital, Tier III capital (C)		—
Deduction item	Total of deduction items (D) (Note 4)		1,000,198
(Total) qualifying capital	(Total) qualifying capital (A+B+C-D)(E)		7,320,563
(Total) risk-adjusted assets	Assets (on-balance-sheet items)		6,676,684
	Off-balance-sheet transactions, etc.		882,911
	Amount of market risk equivalent, divided by 8%		—
	Amount of operational risk equivalent, divided by 8%		4,458,789
	(Total) risk-adjusted assets (F)		12,018,385
Consolidated capital ratio (domestic standard) (E/F) x 100 (%)			60.91%
Tier 1 (A/F) x 100 (%)			69.22%

Note 1: The above data is calculated in line with the provisions of Article 52-25 of the Banking Act and on the basis of calculation formulae prescribed under the criteria to be used by a Bank Holding Company for deciding whether or not the adequacy of equity capital of the Bank Holding Company and its Subsidiary Companies is appropriate in light of the circumstances such as the assets owned by that Bank Holding Company and its Subsidiaries (Financial Services Agency Notification No. 20 of 2006). The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Note 3: Step-up callable equity securities, etc. (carrying covenant regarding step-up interest rate for redemption), under Article 17, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice

Note 4: Calculated based on Article 20 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice and includes capital investments in Japan Post Insurance Co., Ltd. and other companies.

3. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

(Millions of yen)

	Item	March 31, 2008
1	Cash	—
2	Japanese government and the Bank of Japan	—
3	Foreign national governments and central banks	61
4	Bank for International Settlements, etc.	—
5	Japanese local public agencies	—
6	Foreign public sector agencies, other than central governments	421
7	Multilateral Development Banks	0
8	Japanese government agencies	19,187
9	Three regional public corporations	0
10	Financial institutions and Class 1 financial product brokers	70,964
11	Corporations	37,638
12	Small and medium-sized enterprises and individuals	8
13	Residential housing mortgages	—
14	Project finance (acquisition of real estate)	—
15	Past due (three months or more)	1,665
16	Outstanding drafts	—
17	Guaranteed by Credit Guarantee Association	—
18	Guaranteed by Industrial Revitalization Corporation of Japan	—
19	Investments in capital and others	15,820
20	Other than above	120,928
21	Securitization (originator only)	—
22	Securitization (excluding originator)	370
23	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	—
	Total	267,067

Note: Required capital: Credit risk-adjusted assets x 4%

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

	Item		March 31, 2008
1	Commitment lines that can be cancelled automatically or unconditionally at any time		—
2	Commitment lines with original contracts of one year or less		—
3	Short-term trade contingent liabilities		—
4	Contingent liabilities arising from specific transactions		—
	(principal reimbursement trust deeds with restructuring)		—
5	NIF or RUF		—
6	Commitment lines with an original duration of one year or longer		—
7	Contingent liabilities arising from directly substituted credit		—
	(of which secured with loan guarantees)		—
	(of which secured with securities)		—
	(of which secured with drafts)		—
	(of which principal reimbursement trust deeds without restructuring)		—
	(of which secured with credit derivative protection)		—
8	Assets sold with repurchase agreements or assets sold with right of claim (adjusted)		—
		Assets sold with repurchase agreements or assets sold with right of claim (not adjusted)	—
		Deduction	—
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds		—
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement		35,310
11	Derivative transactions		5
		(1) Foreign exchange related transactions	0
		(2) Interest rate related transactions	4
		(3) Gold-related transactions	—
		(4) Equity security related transactions	—
		(5) Precious metal related transactions (excluding gold)	—
		(6) Other commodity-related transactions	—
		(7) Credit derivative transactions (counterparty risk)	—
		Write-off of credit equivalent amount under close-out netting agreement (deduction)	—
12	Long-term settlements		0
13	Outstanding transaction		—
14	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance		—
15	Off-balance-sheet securitization exposure other than the above		—
	Total		35,316

Note: Required capital: Credit risk-adjusted assets x 4%

Financial Data

(3) Amount of required capital for operational risk

(Millions of yen)

Item	March 31, 2008
Basic indicator approach	178,351
Total	178,351

Capital required: Amount of operational risk equivalent÷8% x 4%

(4) Consolidated capital adequacy ratio, consolidated Tier I capital ratio, total amount of consolidated required capital

(Millions of yen)

Item	March 31, 2008
Consolidated capital adequacy ratio	60.91%
Consolidated Tier I capital ratio	69.22%
Total amount of consolidated required capital	480,735
Credit risk-adjusted assets x 4%	302,383
Assets (on-balance-sheet items) x 4%	267,067
Off-balance-sheet transactions, etc. x 4%	35,316
Amount of operational risk equivalent ÷ 8% x 4%	178,351

4. Credit risk

(1) Credit risk exposure by region, industry and customer (As of March 31, 2008)

(Millions of yen)

Counterparts		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereign	25,253,758	164,635,783	—	26,987	189,916,529
	Financial institutions	130,141,659	3,803,232	697	26,497	133,972,086
	Corporations, etc.	20,728	4,034,632	—	317,730	4,373,091
	Small and medium-sized enterprises and individuals	—	—	—	351	351
	Others (excluding the above)	2,112,075	90,857	—	3,052,296	5,255,229
	Domestic total	157,528,221	172,564,505	697	3,423,863	333,517,288
Overseas total		—	—	—	—	—
Total		157,528,221	172,564,505	697	3,423,863	333,517,288

Note 1: All subsidiaries other than Japan Post Bank Co., Ltd. do not engage in loan operations in principle and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.
Note 2: “Domestic” and “overseas” refer to the domicile of the main branch (head office).
Note 3: Loans and deposits include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: Bonds include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: Derivatives include interest-rate swap and forward foreign exchange contracts.
Note 6: “Sovereign” includes central governments, central banks, public-sector entities, etc.
Note 7: Financial institutions include the Multilateral Development Banks, Bank for International Settlements, etc.
Note 8: “Corporations, etc.” include foreign non-government public-sector entities, Japanese government agencies, three regional government corporations and business corporations.
Note 9: In calculating credit risk, credit risk related to exposure of certain subsidiaries which are unlikely to have any significant effect in the context of the overall exposure is included in “corporations, etc.” and “others” under “others (excluding the above).” “Others” under “others (excluding the above)” includes fixed assets in the amount of ¥2.9766 trillion.

(2) Credit risk exposure by maturity (As of March 31, 2008)

(Millions of yen)

Remaining period	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	137,822,484	38,735,219	110	359,367	176,917,181
Over 1 year to 3 years	8,763,973	46,753,093	586	82	55,517,735
Over 3 years to 5 years	128,149	35,054,014	—	—	35,182,164
Over 5 years to 7 years	192,334	19,674,057	—	—	19,866,391
Over 7 years to 10 years	905,027	29,625,054	—	—	30,530,082
Over 10 years	2,235,888	2,723,066	—	—	4,958,955
Perpetual	7,480,363	—	—	3,064,413	10,544,776
Total	157,528,221	172,564,505	697	3,423,863	333,517,288

Note 1: Loans and deposits include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 2: Bonds include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 3: Derivatives include interest-rate swap and forward foreign exchange contracts.
Note 4: “Others” under “Perpetual” include fixed assets in the amount of ¥2.9766 trillion.

(3) Year-end balance of past-due 3 months' or more exposure, default exposure and a schedule of exposure by region, industry and counterparty (As of March 31, 2008)

(Millions of yen)

Counterparts		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereign	—	—	—	—	—
	Financial institutions	—	—	—	0	0
	Corporations, etc.	—	—	—	1	1
	Small and medium-size enterprises and individuals	—	—	—	58	58
	Others (excluding the above)	—	—	—	28,802	28,802
	Domestic total	—	—	—	28,862	28,862
Overseas total		—	—	—	—	—
Total		—	—	—	28,862	28,862

Note 1: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 2: Loans and deposits include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 3: Bonds include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 4: Derivatives include interest-rate swap and forward foreign exchange contracts.
Note 5: "Sovereign" includes central governments, central banks, public-sector entities, etc.
Note 6: Financial institutions include the Multilateral Development Banks, Bank for International Settlements, etc.
Note 7: "Corporations, etc." include foreign non-government public-sector entities, Japanese government agencies, three regional government corporations and business corporations.
Note 8: In calculating credit risk, credit risk related to exposures at certain subsidiaries which are unlikely to have any significant effect in the context of the overall credit exposure is included in "corporations," and "others" under "others (excluding the above)."

(4) Year-end balances and changes during the period of allowance for doubtful accounts (general reserve), allowance for doubtful accounts (specific reserve) and allowance for specific doubtful accounts (overseas claims reserve)

Year-end balance (March 31, 2008)

(Millions of yen)

	Allowance for doubtful accounts (general reserve)	Allowance for doubtful accounts (specific reserve)	Allowance for doubtful accounts (overseas claims reserve)
Total	8	—	—

Change during the period (FY2007)

(Millions of yen)

	Allowance for doubtful accounts (general reserve)	Allowance for doubtful accounts (specific reserve)	Allowance for doubtful accounts (overseas claims reserve)
Total	8	—	—

Note 1: Allowance for doubtful accounts represents an allowance for possible losses on loans and bills discounted.
Note 2: Breakdown by industry and region is not presented since only an allowance for doubtful accounts (general reserve) is provided.

(5) The amount of write-off of loans and bills discounted by industry and obligor

There were no write-offs.

Note: Only write-offs of loans and bills discounted

(6) Amount of exposure by risk weight category (As of March 31, 2008)

(Millions of yen)

Risk weight	Rated	Not rated
0%	183,815,733	13,165,430
10%	—	120,450,195
20%	11,797,004	31
35%	—	—
50%	406,315	1,665
75%	—	292
100%	124,076	3,729,345
150%	0	27,197
350%	—	—
Other	—	—
Less capital invested by the Bank	—	—
Total	196,143,129	137,374,158

Note: Ratings include only those rated by eligible rating agencies.

5. Credit risk mitigation methodology

Exposure amount to which credit risk mitigation methods are applied (As of March 31, 2008)

(Millions of yen)

Item	Exposure amount	Composition ratio
Self-deposits of Japan Post Bank	109,788,309	96.34%
Guarantees (Note)	4,164,102	3.65%
Total	113,952,412	100.00%

Note: These qualify as government-guaranteed bonds (guaranteed by the Japanese government). There was no exposure mitigated by credit derivatives.

6. Derivative transactions and transactions with long-term settlements

Derivative transactions and long-term settlements (As of March 31, 2008)

(Millions of yen)

Item		Aggregate sum of amounts of gross reconstruction costs	Aggregate sum of gross add-on amounts	Credit equivalents
Interest rate related transactions				
	Interest rate swaps	86	500	586
Currency-related transactions				
	Forward foreign exchange contracts	26	84	110
Long-term settlements		6	0	6
Total		119	584	704

Note 1: Credit equivalent amounts are calculated by the “current exposure method.”
Note 2: There were no risks mitigated using the risk mitigation by collateral method and credit derivatives.
Note 3: Limited to transactions on which gross reconstruction costs are not less than zero.
Note 4: In accordance with Article 57, Paragraph 1 of the FSA’s Consolidated Capital Adequacy Ratio Disclosure Notice, derivatives do not include foreign exchange related transactions with original contract periods of five days or less.
Note 5: Long-term settlement period transactions are transactions resulting from receipt/delivery of securities with transaction settlement periods of five trading days or longer.

7. Securitization exposure

Securitization exposure in which the Group invests:

(1) Breakdown by type of original asset (As of March 31, 2008)

(Millions of yen)

Type of original asset	Balance
Residential mortgages	22,706
Auto loans	8,406
Leases	10,206
Consumer loans	5,005
Total	46,323

(2) Balance by risk weight and amount of required capital (As of March 31, 2008)

(Millions of yen)

Risk weight	Capital invested	Required capital
To 20%	—	—
20%	46,323	370
50%	—	—
100%	—	—
150%	—	—
Capital deduction	—	—
Total	46,323	370

Note 1: Required capital: Credit risk assets x 4%

Note 2: There were no credit risk assets falling under Article 15 of Supplementary Provisions of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Note 3: There was no securitization exposure deducted from capital under Article 225 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

8. Market risk

Not applicable since the Group, based on Article 16 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, does not enter market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the said notice.

9. Equity exposure in the banking account

Not applicable

Note: Equity securities managed in money held in trust are not included.

10. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used.

11. Interest rate risk in the banking account

Profit/loss related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account.

(Billions of yen)

	Loss
March 31, 2008	2,084.7

Note: Interest rate scenarios use 1% and 99% percentiles for interest rate fluctuations based on a holding period of one year and an observation period of five years.

The financial statements have been audited by KPMG AZSA & Co. in accordance with the provisions of Article 396, Paragraph 1 of the Company Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheet (As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and deposits	¥ 27,296	Short-term borrowings	¥ 22,000
Accounts receivable	271,699	Accounts payable	30,117
Inventories	390	Income taxes payable	249,446
Prepaid expenses	61	Consumption taxes payable	641
Other current assets	32	Accrued expenses	1,024
Allowance for doubtful accounts	(32)	Reserve for employees' bonuses	2,134
Total current assets	299,447	Other current liabilities	1,340
Non-current assets		Total current liabilities	306,705
Tangible fixed assets		Long-term liabilities	
Buildings	46,331	Reserve for employees' retirement benefits	1,321,456
Structures	846	Reserve for directors' retirement benefits	39
Machinery	631	Reserve for compensation for accidents in the course of duty	28,809
Vehicles	54	Deferred tax liabilities	1,733
Tools and fixtures	37,923	Other long-term liabilities	296
Land	95,747	Total long-term liabilities	1,352,335
Construction in progress	16	Total Liabilities	¥1,659,040
Total tangible fixed assets	181,552	Net Assets	
Intangible fixed assets		Shareholders' equity	
Software	29,494	Capital stock	¥3,500,000
Other intangible fixed assets	206	Capital surplus	
Total intangible fixed assets	29,701	Capital reserve	4,503,856
Investments and other assets		Total capital surplus	4,503,856
Stock of related parties	9,194,774	Retained earnings	
Long-term prepaid expenses	104	Other retained earnings	38,435
Claims in bankruptcy	40	Unappropriated retained earnings	38,435
Other investments	12	Total retained earnings	38,435
Allowance for doubtful accounts	(40)	Total shareholders' equity	8,042,291
Total investments and other assets	9,194,890	Contribution to society and community funds	4,259
Total non-current assets	9,406,144	Total Net Assets	¥8,046,551
Total Assets	¥9,705,592	Total Liabilities and Net Assets	¥9,705,592

2 Income Statement (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount	
Operating income		
Commissions from subsidiaries and affiliates	¥13,443	
Income from consigned businesses	37,113	
Subsidies related to former savings accounts	51,185	
Income from medical services	12,222	
Income from accommodation services	18,938	¥132,904
Operating expenses		
Expenses for consigned businesses	36,549	
Expenses for medical services	13,762	
Expenses for accommodation services	19,357	
Administrative expenses	28,864	98,534
Net operating income		34,369
Other income		
Interest on securities	2,278	
Rents received	1,541	
Others	451	4,270
Other expenses		
Interest paid	264	
Lease cost	483	
Others	68	816
Net ordinary income		37,824
Extraordinary gains		
Gain on collection of written-off claims	52	
Gain on sales of property	9	
Others	0	62
Extraordinary losses		
Loss on sales of property	25	
Loss on disposal of property	160	
Impairment losses	599	785
Net income before income taxes		37,101
Income taxes current		(7,230)
Income taxes deferred		1,733
Net income		¥ 42,598

Financial Data

3 Statement of Changes in Net Assets (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity			
		Capital surplus	Retained earnings	
			Other retained earnings	
	Capital stock	Capital reserve	Unappropriated retained earnings	Total shareholders' equity
Balance at the end of the previous fiscal year	¥ 150,000	¥ 150,000	¥ 96	¥ 300,096
Changes in items during the period				
Issuance of new shares	3,350,000	4,353,856		7,703,856
Net income			42,598	42,598
Contribution to society and community funds			(4,259)	(4,259)
Changes in items other than shareholders' equity				
Total changes in items during the period	3,350,000	4,353,856	38,338	7,742,194
Balance as of March 31, 2008	¥3,500,000	¥4,503,856	¥38,435	¥8,042,291

(Millions of yen)

	Contribution to society and community funds	Valuation and translation adjustments	Total net assets
		Valuation difference on other securities	
Balance at the end of the previous fiscal year	¥ —	¥258	¥ 300,355
Changes in items during the period			
Issuance of new shares			7,703,856
Net income			42,598
Contribution to society and community funds			(4,259)
Changes in items other than shareholders' equity	4,259	(258)	4,001
Total changes in items during the period	4,259	(258)	7,746,196
Balance as of March 31, 2008	¥4,259	¥ —	¥8,046,551

4 Significant Accounting Policies and Notes to Financial Statements

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for securities
   Stock of subsidiaries and related parties is recognized at cost using the moving-average method.
2. Valuation criteria and methods for inventories
   Inventories are recognized at cost using the moving-average method.
3. Depreciation/amortization method for non-current assets

(1) Tangible fixed assets

Tangible fixed assets are depreciated using the declining-balance method (except for buildings, which are depreciated using the straight-line method).

Useful lives for main depreciable items are as follows:

Buildings:	2-50 years
Chattel:	2-60 years

[Changes in accounting policies]

The Company has changed the depreciation method for tangible fixed assets acquired on and after April 1, 2007 in accordance with the revised Corporation Tax Law. However, the impact of this change on income is minimal.

(2) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method.

The useful lives are determined in accordance with Corporation Tax Law.

The software used in-house is amortized over the prescribed useful lives (mainly 5 years).

4. Assumptions for the calculation of allowances and reserves

(1) Allowance for doubtful accounts

To reserve for loss on doubtful accounts, general allowances are provided using a rate determined by past bad debt experience and also specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectability of certain doubtful accounts.

(2) Reserve for employees' bonuses

To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.

(3) Reserve for employees' retirement benefits

(i) To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the current term-end.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (10 years) within the average remaining service years of the employees when incurred.

[Additional information]

The Company has adopted the principle method for calculation of retirement benefit obligation, while the simplified method was used before. This is because the Company employed the employees of the former Japan Post in accordance with the Implementation Plan Concerning the Business Succession of Japan Post, which raised the need to improve the accuracy of the calculation of the retirement benefit obligation.

(ii) Concerning the cost of assuming the share of the mutual aid pension program (the pension system of retired government employees), we have booked the cost for the benefits that correspond to the working period before December 1958 of those who used to work for the then Ministry of Communications and the then Ministry of Posts and Telecommunications and retired in and after January 1959 (hereinafter called "share of public service pension"). This cost related to share of public service pension was calculated and included in reserve for retirement benefits.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over certain years (10 years) within the average remaining benefit payment years of the benefit recipients.

(iii) Concerning the cost of assuming the share of the mutual aid pension program (the pension system of retired government employees), we have booked the cost for the benefits for those who used to work for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (involved in postal services business) and retired in and before December 1958 (hereinafter called "share of another public service pension.)" This cost related to share of another public service pension was calculated and included in reserve for retirement benefits.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (5 years) within the average remaining benefit payment years of the benefit recipients.

(4) Reserve for directors' retirement benefits

To provide for benefits for retired directors and corporate auditors, reserve for directors' retirement benefits is recorded in an actual amount needed at the current term-end based on the Company's regulations.

(5) Reserve for compensation for accidents in the course of duty

To provide for the need to pay compensation to the employees (or the families of the deceased) for the accidents they were involved in during their duty or during commuting, reserve for compensation for accidents in the course of duty is posted as liabilities in the current fiscal year.

Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (15 years) within the average remaining service years of the employees when incurred.

5. Consumption tax
   All figures are net of consumption tax.
6. Others

(1) The Company adopted the consolidated tax payment system beginning in the current fiscal year.

(2) Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(3) Contribution to society and community funds is stipulated in Article 13 of the Japan Post Holdings Law.

2. Notes to Balance Sheet

1. Accumulated depreciation of tangible fixed assets: ¥7,883 million
2. Receivables and payables involving related parties

Short-term monetary claims:	¥287,286 million
Short-term monetary liabilities:	¥24,010 million

3. Notes to Income Statement

1. The following shows operating transactions and other transactions with affiliates.

Operating transactions (received):	¥101,613 million
Operating transactions (paid):	¥1,879 million
Transactions other than operational (received):	¥1,948 million

4. Notes to Statement of Changes in Net Assets

1. Dividends
   Article 11 of the Japan Post Holdings Law provides that dividends from the retained earnings are to be approved by the Minister of Public Management, Home Affairs, Posts and Telecommunications.
2. Others
   The Company received an in-kind contribution from the former Japan Post on October 1, 2007 in accordance with the succession plan described in Article 166, Paragraph 1 of the Law Concerning Postal Privatization (2005, Law No. 97) pursuant to Article 38, Paragraph 3 of the same law. The following table shows the overview of the assets contributed in kind.

Japan Post Holdings Co., Ltd. (As of October 1, 2007)

Assets	¥9,249,138 million	Liabilities	¥1,545,282 million
		Net assets	¥7,703,856 million

5. Notes to Retirement Benefits

1. Retirement benefits

(1) Summary of retirement benefits

The Company has a lump-sum severance payment plan based on an in-house savings system in accordance with the Company's regulations on retirement benefits in addition to the mutual aid pension program in accordance with the Law Concerning the Mutual Aid Association of National Public Workers.

(2) Information about pension obligation (as of March 31, 2008)

(Millions of yen)

Category	Amount
1 Pension obligation	(35,740)
2 Unfunded pension liabilities	(35,740)
3 Unrecognized actuarial differences	(763)
4 Reserve for employees' retirement benefits	(36,503)

(3) Information about pension cost (for the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Category	Amount
1 Service cost	1,257
2 Interest cost	301
3 Pension cost	1,559

(4) Assumptions for the calculation of pension liabilities

(i) Recognition method of projected pension liabilities:
Straight-line method over the determined period

(ii) Discount rate: 1.6%

(iii)Recognition period of actuarial differences: 10 years

(Actuarial differences are to be charged to expenses from the following fiscal year when incurred using the straight-line method over certain years within the average remaining service years of the employees.)

2. Share of public service pension

(1) Retirement benefit obligation related to share of public service pension (as of March 31, 2008)

(Millions of yen)

Category	Amount
1 Pension obligation related to share of public service pension	(1,281,969)
2 Unrecognized actuarial differences	1,305
3 Reserve for employees' retirement benefits related to share of public service pension	(1,280,664)

(2) Pension cost related to share of public service pension (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Category	Amount
1. Interest cost	11,317

(3) Assumptions for the calculation of pension liabilities

(i) Discount rate: 1.7%

(ii) Recognition period of actuarial differences: 10 years

3. Share of another public service pension

(1) Information about the share of another public service pension (as of March 31, 2008)

(Millions of yen)

Category	Amount
1 Pension obligation related to share of another public service pension	(4,268)
2 Unrecognized actuarial differences	(20)
3 Reserve for share of another public service pension	(4,288)

(2) Pension cost related to share of another public service pension (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Category	Amount
1 Interest cost	25

(3) Assumptions for pension obligation

(i) Discount rate: 1.1%

(ii) Recognition period of actuarial differences: 5 years

6. Notes to Tax Effect Accounting

Main components of deferred tax assets and liabilities are as follows.

Deferred tax assets	
Reserve for retirement benefits:	¥537,748 million
Reserve for bonuses:	¥868 million
Others:	¥4,647 million
Sub-total:	¥543,264 million
Valuation reserve:	¥(543,264) million
Total deferred tax assets:	—
Deferred tax liabilities	
Contribution to society and community funds:	¥1,733 million
Total deferred tax liabilities:	¥1,733 million
Net deferred tax assets (negative for liabilities):	¥(1,733) million

7. Leased Tangible Fixed Assets

In addition to the tangible fixed assets described on the balance sheet, some other tools and fixtures are used under finance lease contracts that do not involve title transfer.

8. Notes to Transactions with Related Parties

Type of relationship	Company name	Ownership	Description of relationship	Description of transactions	Transaction amount (millions of yen)	Account name	Balance as of March 31, 2008 (millions of yen)
Sub-sidiary	Japan Post Bank Co., Ltd.	Directly owns 100% of the stock	The subsidiary is very important, operating the banking business.	Contribution in kind (Note 1)	298,944	—	—
				Borrowings (Note 2)	—	Short-term borrowings	22,000
				Paying interest (Note 2)	264	Accrued interest	8
				Receiving subsidies (Note 3)	51,185	—	—

The transaction amounts do not include consumption tax. However, the balances at the end of the term include consumption tax.

Conditions of transactions and policies for deciding such conditions

Note 1: Securities were contributed in kind. The transaction amounts show the market values of the contributed securities.

Note 2: The conditions for short-term borrowings are determined considering the market interest rates and borrowings are not secured, on a lump-sum repayment arrangement.

Note 3: We receive subsidies in accordance with Article 122 of the Law Concerning Postal Privatization (2005, Law No. 97).

9. Per Share Information

Net assets per share:	¥53,643.68
Net income per share:	¥546.13

10. Others

Reserve for compensation for accidents in the course of duty

1. Information about the compensation for accidents in the course of duty (as of March 31, 2008)

(Millions of yen)

Category	Amount
1 Obligation related to compensation for accidents in the course of duty	(30,449)
2 Unrecognized actuarial differences	1,639
3 Reserve for compensation for accidents in the course of duty	(28,809)

2. Information about the cost for compensation for accidents in the course of duty (for the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Category	Amount
1 Interest cost	296

3. Assumptions for calculating the obligation for compensation

(1) Discount rate:	2.0%
(2) Recognition period of actuarial differences:	15 years

11. Major Subsequent Events

None

3. Japan Post Network Co., Ltd.—Non-consolidated Financial Data

The financial statements have been audited by KPMG AZSA & Co. in accordance with the provisions of Article 396, Paragraph 1 of the Company Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheet (As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and cash equivalents	¥1,992,488	Accounts payable – trade	¥ 3,918
Accounts receivable – trade	106,243	Accounts payable	88,168
Inventories	870	Postal service business consignment payable	18,731
Prepaid expenses	574	Accrued expenses	33,537
Accounts receivable	7,270	Income taxes payable	7,340
Banking business consignment receivable	42,469	Consumption taxes payable	25,172
Insurance business consignment receivable	35,939	Deposits received	4,382
Other current assets	35,649	Fund deposits for post offices	1,650,000
Allowance for doubtful accounts	(25)	Reserve for employees' bonuses	57,871
Total current assets	2,221,481	Other current liabilities	1,991
Non-current assets		Total current liabilities	1,891,115
Tangible fixed assets		Long-term liabilities	
Buildings	380,845	Long-term debt	213
Structures	18,216	Reserve for employees' retirement benefits	1,183,445
Machinery	323	Reserve for directors' retirement benefits	23
Automobiles and other vehicles	621	Negative goodwill	894
Tools and fixtures	37,961	Other long-term liabilities	6,116
Land	620,558	Total long-term liabilities	1,190,694
Construction in progress	756		
Total tangible fixed assets	1,059,283	Total Liabilities	¥3,081,809
Intangible fixed assets		Net Assets	
Leaseholds	1,666	Shareholders' equity	
Telephone rights	159	Capital stock	¥ 100,000
Software	2,620	Capital surplus	
Other intangible fixed assets	91	Capital reserve	100,000
Total intangible fixed assets	4,538	Total capital surplus	100,000
Investments and other assets		Retained earnings	
Stock of related parties	200	Other retained earnings	4,678
Other assets	1,264	Unappropriated retained earnings	4,678
Allowance for doubtful accounts	(279)	Total retained earnings	4,678
Total investments and other assets	1,184	Total shareholders' equity	204,678
Total non-current assets	1,065,006	Total Net Assets	¥ 204,678
Total Assets	¥3,286,487	Total Liabilities and Net Assets	¥3,286,487

2 Income Statement (For the period from October 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount	
Operating income		
Commissions for postal service business consignment	¥103,066	
Commissions for banking business consignment	301,046	
Commissions for insurance business consignment	207,942	
Other fees and commissions	3,825	¥615,880
Operating expenses		555,340
Gross operating income		60,539
Sales, general and administrative cost		53,021
Net operating income		7,517
Other income		
Rents received	15,797	
Others	2,682	18,480
Other expenses		
Lease cost	7,152	
Others	309	7,462
Net ordinary income		18,535
Extraordinary gains		
Gain on sales of property	2	
Compensation for transfer	298	
Others	26	327
Extraordinary losses		
Loss on sales of property	0	
Loss on disposal of property	196	
Impairment losses	257	
Others	10	464
Net income before income taxes		18,397
Income taxes current		13,719
Income taxes deferred		—
Net income		¥ 4,678

Financial Data

3 Statement of Changes in Net Assets (For the period from October 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity				Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	
		Capital reserve	Other retained earnings		
			Unappropriated retained earnings		
Balance as of Oct. 1, 2007	¥100,000	¥100,000	¥ —	¥200,000	¥200,000
Changes in items during the period					
Net income			4,678	4,678	4,678
Total changes in items during the period	—	—	4,678	4,678	4,678
Balance as of March 31, 2008	¥100,000	¥100,000	¥4,678	¥204,678	¥204,678

4 Significant Accounting Policies and Notes to Financial Statements

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for securities
(1) Stock of subsidiaries and related parties
Stock of subsidiaries and related parties is recognized at cost using the moving-average method.
(2) Other securities
Securities without market quotations are recognized at cost using the moving-average method.
2. Valuation criteria and methods for inventories
Inventories are measured at cost using the moving-average method.
3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets
Tangible fixed assets are depreciated using the declining-balance method (except that buildings excluding accompanying equipment employ the straight-line method).
Useful lives in general are as follows:
Buildings: 2-50 years
Chattel: 2-20 years
(2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method. The software used in-house is amortized over the prescribed useful lives (5 years).
(3) Long-term prepaid expenses
Long-term prepaid expenses are amortized evenly.
The amortization periods are determined in accordance with the provisions of the Corporation Tax Law.
4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
To reserve for loss on doubtful accounts, general allowances are provided using a rate determined by past bad debt experience and also specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation and related pension assets of the current term-end. Prior service cost is to be charged to expenses using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method based on determined years (14 years) within the average remaining service years of the employees when incurred.
(4) Reserve for directors' retirement benefits
To provide for directors' retirement benefits, reserve for directors' retirement benefits is recorded in an actual amount needed at the current fiscal year-end based on the company's regulations.
5. Leases
Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.
6. Important assumptions for financial statements
(1) Consumption tax
With respect to the accounting of consumption tax and prefectural consumption tax, all figures are net of consumption tax.
(2) Consolidated tax payment system
The consolidated tax payment system is employed with Japan Post Holdings Co., Ltd. as the parent company.
(3) Amortization of negative goodwill
The business that mediates delivery of *furusato kozutsumi* ("small parcels from hometown"), which used to be operated by the Postal Service Center, a juridical foundation, was transferred to Japan Post Network on October 1, 2007, and negative goodwill was recognized concerning the transfer. The negative goodwill is amortized by the straight-line method (over 5 years).

2. Notes to Balance Sheet

1. Pledged assets
(1) To perform services as the Bank of Japan revenue sub-agents, the following is pledged as collateral.
Cash and deposits: ¥15,000 million
(2) Pledged as collateral for a long-term loan of ¥213 million
Land: ¥1,489 million
Buildings and others: ¥1,183 million
2. Accumulated depreciation for tangible fixed assets: ¥21,958 million
3. Contingent liabilities
Some of the lease contracts for the precincts of post offices have been taken over from the former Japan Post. Such contracts state that the lesser retains the right to call for compensation if Japan Post Network Co., Ltd. cancels all or part of the lease contracts. The amount of such cancellation compensation is to be calculated based on the remaining part of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2008, the potential cancellation claims were ¥106,603 million. However, if the buildings that used to house post offices are not to be demolished, the compensation does not cover all of the remaining part of the initial investment.
4. Receivables and payables involving related parties
Short-term receivables: ¥838 million
Short-term payables: ¥11,759 million
5. Others
The fund deposits for post offices shown in the balance sheet are deposits received in advance to prepare for the need to pay insurance benefits in accordance with the consignment agreement with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.
The following shows the details of such deposits.
Japan Post Bank Co., Ltd.: ¥1,440,000 million
Japan Post Insurance Co., Ltd.: ¥210,000 million

3. Notes to Income Statement

The following shows operating transactions and other transactions with affiliates.
Operating transactions (received): ¥53 million
Operating transactions (paid): ¥934 million
Transactions other than operational (received): ¥1,220 million
Transactions other than operational (paid): ¥12,440 million

4. Notes to Statement of Changes in Net Assets

1. Information concerning outstanding shares

Type of shares	Number of shares as of October 1, 2007	Increase	Decrease	Number of shares as of March 31, 2008
Common	4,000,000	—	—	4,000,000

2. Appropriation of retained earnings

The following dividends are those recorded during the term but effective only in the next term.

Resolution	Type of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular shareholders meeting on June 18, 2008	Common	Retained earnings	1,169	292.39	March 31, 2008	June 18, 2008

3. Others

The Company received an in-kind contribution from the former Japan Post on October 1, 2007 in accordance with the succession plan described in Article 166, Paragraph 1 of the Law Concerning Postal Privatization (2005, Law No. 97) pursuant to Article 79, Paragraph 7 of the same law. The following table shows an overview of the assets contributed in kind.

Japan Post Network Co., Ltd. (As of October 1, 2007)

Assets	¥3,396,345 million	Liabilities	¥3,196,345 million
		Net assets	¥200,000 million

5. Notes to Tax Effect Accounting

Reasons for recognizing deferred tax assets

Allowance for employees' retirement benefits:	¥481,586 million
Allowance for employees' bonuses:	¥23,549 million
Others:	¥7,415 million
Sub-total:	¥512,551 million
Valuation reserve:	¥(512,551) million
Total deferred tax assets:	-
Net deferred tax assets:	-

6. Notes to Transactions with Related Parties

Type of relationship	Company name	Voting rights (owning or being owned by)	Description of relationship	
			Interlocking directors	Business relationship
Subsidiary of the common parent	Japan Post Service Co., Ltd.	–	One concurrent	Business consignment
Subsidiary of the common parent	Japan Post Bank Co., Ltd	–	One concurrent	Business consignment
Subsidiary of the common parent	Japan Post Insurance Co., Ltd.	–	–	Business consignment

Description of transactions	Transaction amount (millions of yen)	Account name	Balance at the end of the term (millions of yen)
Commissions for business consignment Rents receivable	103,066 11,953	Accounts receivable Outstanding collections	16,126 2,128
Commissions for business consignment Funds received and paid pursuant to consigned business	301,046 1,563,387	Accounts receivable Fund deposits for post offices Banking business consignment receivable	53,473 1,440,000 42,469
Commissions for business consignment Funds received and paid pursuant to consigned business	207,942 214,316	Accounts receivable Fund deposits for post offices Insurance business consignment receivable	36,296 210,000 35,939

Note 1: The transaction amounts do not include consumption tax. However, the balances at the end of the term include consumption tax.

Note 2: Conditions of transactions and policies for deciding such conditions

Commissions for business consignment: Commissions are determined based on the volume of business in accordance with the consignment agreement with each affiliated company.

Rents receivable: Rents are determined considering the market price.

Fund deposits for post offices: Fund deposits for post offices are deposits received in advance to prepare for the need to pay insurance benefits in accordance with the consignment agreement with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

Business consignment receivable/payable: Funds received and paid at the post office windows pursuant to the business consignment agreements are settled with each affiliated company. Transaction amounts are settled two days after the transactions. However, the transaction volume is so huge that the actual transaction amounts are not disclosed.

7. Notes to Retirement Benefits

1. Summary of retirement benefits

We have a defined benefit pension plan, and also provide lump-sum severance pay in accordance with the company's regulations on retirement benefits.

2. Information about pension obligation

1 Pension obligation:	¥(1,175,953) million
2 Pension assets:	-
3 Unfunded pension liabilities (1+2):	¥(1,175,953) million
4 Unrecognized actuarial difference:	¥(8,433) million
5 Unrecognized prior service cost:	¥941 million
6 Net amount on balance sheet (3+4+5):	¥(1,183,445) million
7 Prepaid pension cost:	-
8 Allowance for retirement benefits (6-7):	¥(1,183,445) million

3. Information about pension cost

1 Service cost:	¥29,205 million
2 Interest cost:	¥10,078 million
3 Expected return on pension assets:	-
4 Amortized prior service cost:	¥5 million
5 Amortized actuarial difference:	-

4. Assumptions for the calculation of pension liabilities

1 Recognition of projected pension liabilities:	Straight-line method over the determined period
2 Discount rate:	1.7%
3 Recognition period of actuarial differences:	14 years
4 Recognition period of prior service cost:	14 years

8. Per Share Information

Net assets per share:	¥51,169.53
Net income per share:	¥1,169.53

9. Major Subsequent Events

None

4. Japan Post Service Co., Ltd.—Non-consolidated Financial Data

The financial statements have been audited by KPMG AZSA & Co. in accordance with the provisions of Article 396, Paragraph 1 of the Company Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheet (As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and cash equivalents	¥ 520,015	Accounts payable - trade	¥ 55,690
Accounts receivable – trade	150,185	Accounts payable	152,227
Merchandise	1,847	Accrued expenses	6,641
Supplies	2,473	Income taxes payable	16,863
Prepaid expenses	1,154	Consumption taxes payable	36,902
Other current assets	7,094	Advance postal fees received	42,126
Reserve for doubtful accounts	(1,010)	Deposits received	440,424
Total current assets	681,758	Reserve for employees' bonuses	53,500
		Other current liabilities	1,328
Non-current assets		Total current liabilities	805,706
Tangible fixed assets			
Automobiles and other vehicles	2,853	Long-term liabilities	
Buildings	703,264	Reserve for employees' retirement benefits	1,070,414
Structures	16,010	Reserve for directors' retirement benefits	20
Machinery	30,828	Reserve for refund for Fumi Cards	897
Tools and fixtures	24,338	Other long-term liabilities	3,074
Land	634,098		
Construction in progress	1,922	Total long-term liabilities	1,074,406
Total tangible fixed assets	1,413,316	Total Liabilities	¥1,880,112
		Net Assets	
Intangible fixed assets		Shareholders' equity	
Software	14,243	Capital stock	¥ 100,000
Other intangible fixed assets	1,829	Capital surplus	
Total intangible fixed assets	16,073	Capital reserve	100,000
		Total capital surplus	100,000
Investments and other assets		Retained earnings	
Stock of related parties	37,692	Other retained earnings	69,487
Claims in bankruptcy	1,412	Unappropriated retained earnings	69,487
Other assets	758	Total retained earnings	69,487
Allowance for doubtful accounts	(1,412)	Total shareholders' equity	269,487
Total investments and other assets	38,451		
Total non-current assets	1,467,841		
		Total Net Assets	¥ 269,487
Total Assets	¥2,149,599	Total Liabilities and Net Assets	¥2,149,599

Financial Data

2 Income Statement (For the period from October 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount	
Operating income		¥1,053,676
Operating expenses		893,647
Gross operating income		160,028
Sales, general and administrative cost		56,254
Net operating income		103,773
Other income		
Rents received	¥13,269	
Others	1,401	14,670
Other expenses		
Lease cost	3,971	
Others	709	4,680
Net ordinary income		113,763
Extraordinary gains		
Gain from reversal of allowance for refund for Fumi Cards	207	
Others	4	211
Extraordinary losses		
Loss on disposal of property	1,271	
Others	107	1,379
Net income before income taxes		112,595
Income taxes current		43,108
Net income		¥ 69,487

3 Statement of Changes in Net Assets (For the period from October 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
		Capital reserve	Other retained earnings	
			Unappropriated retained earnings	
Balance as of Oct. 1, 2007	¥100,000	¥100,000	¥ —	¥200,000
Changes in items during the period				
Net income			69,487	69,487
Total changes in items during the period	—	—	69,487	69,487
Balance as of March 31, 2008	¥100,000	¥100,000	¥69,487	¥269,487

Financial Data

4 Significant Accounting Policies and Notes to Financial Statements

Financial Data

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for assets
(1) Valuation criteria and methods for securities
Stock of subsidiaries and related parties
Stock of subsidiaries and related parties is recognized at cost using the moving-average method.
(2) Valuation criteria and methods for inventories
Inventories of merchandise and supplies are recognized at cost using the moving-average method.
2. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets
Buildings (excluding fixtures) are depreciated using the straight-line method.
Others are depreciated using the declining-balance method.
Useful lives for main depreciable items are as follows:

Vehicles:	2-7 years
Buildings:	2-50 years
Structures:	2-75 years
Machinery:	2-17 years
Tools, apparatus, equipment:	2-20 years

(2) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (5 years).
3. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
To reserve for loss on doubtful accounts, general allowances are provided using a rate determined by past bad debt experience and also specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the current term-end.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (13 years) within the average remaining service years of the employees when incurred.
(4) Reserve for directors' retirement benefits
To provide for directors' retirement benefits, reserve for directors' retirement benefits is recorded in an actual amount needed at the current term-end based on the company's regulations.
(5) Reserve for refund for Fumi Cards
To provide for refund for Fumi Cards, reserve for refund for Fumi Cards is recorded in a projected amount for the current term.
4. Other important assumptions for financial statements
(1) Consumption tax
All figures are net of consumption tax.
(2) Consolidated tax payment system
The consolidated tax payment system is employed with Japan Post Holdings Co., Ltd. as the parent company.

2. Notes to Balance Sheet

1. Accumulated depreciation of tangible fixed assets: ¥36,341 million
2. Receivables and payables involving related parties

Short-term receivables:	¥605 million
Short-term payables:	¥36,669 million

3. Monetary assets as collateral
We hold securities as collateral pledged by users of our pay-later postal services. Such securities are valued at ¥98 million as of March 31, 2008.

3. Notes to Income Statement

1. The following shows operating transactions and other transactions with affiliates.

Operating transactions (received):	¥2,520 million
Operating transactions (paid):	¥46,358 million
Transactions other than operational (received):	¥392 million

2. Details of loss on disposal of tangible fixed assets

Buildings:	¥96 million
Structures:	¥11 million
Machinery:	¥1,074 million
Tools and fixtures:	¥88 million
Others:	¥0 million
Total:	¥1,271 million

4. Notes to Statement of Changes in Net Assets

1. Information concerning outstanding shares

Type of shares	Number of shares as of October 1, 2007	Increase	Decrease	Number of shares as of March 31, 2008
Common	4,000,000	—	—	4,000,000

Note: When the company was established, 4,000,000 new shares were issued, and the shares were recorded at the beginning of the current term.

2. Appropriation of retained earnings
The following dividends are those recorded during the term but effective only in the next term.

Resolution	Type of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular shareholders' meeting on June 20, 2008	Common	Unappropriated retained earnings	¥17,371	¥4,342.97	March 31, 2008	June 20, 2008

3. Others
The Company was established through an in-kind contribution from the former Japan Post on October 1, 2007 in accordance with the succession plan described in Article 70, Paragraph 7 of the Law Concerning Postal Privatization (2005, Law No. 97). The following table shows the summary of our balance sheet, which was prepared based on the appraisal by the appraisal committee of the assets and liabilities that were transferred from the former Japan Post in accordance with the provisions of Article 165, Paragraph 1 of the same law.

Summary of balance sheet
(as of October 1, 2007)

(Millions of yen)

Item	Amount	Item	Amount
Assets	1,867,540	Liabilities	1,667,540
		Net assets	200,000
Total assets	1,867,540	Total liabilities and net assets	1,867,540

5. Notes to Tax Effect Accounting

Main reasons for recognizing deferred tax assets and liabilities

Reserve for retirement benefits:	¥435,590 million
Reserve for bonuses:	¥21,771 million
Others:	¥25,541 million
Sub-total:	¥482,902 million
Valuation reserve:	¥(482,902) million
Total deferred tax assets:	—

6. Notes to Transactions with Related Parties

Fellow subsidiary

Type of relationship	Company name	Voting rights (owning or being owned by)	Description of relationship
Subsidiary of the common parent	Japan Post Network Co., Ltd.	None	We entrust postal service counter work, sales of revenue stamps, and some work related to transport of parcels; lease property; and undertake distribution operation for the fellow subsidiary.

Description of transactions	Transaction amount (Note 2) (millions of yen)	Account name	Balance as of March 31, 2008 (Note 2) (millions of yen)
Postal service business consignment (Note 1)	103,066	Accounts payable-operation	16,154

Conditions of transactions and policies for deciding such conditions

Note 1: Commissions for postal service counter work are determined based on the final cost Japan Post Network Co., Ltd. has incurred with respect to the consigned business.

Note 2 : The transaction amount does not include consumption tax. However, the balance at the end of the term includes consumption tax.

7. Per Share Information

Net assets per share:	¥67,371.89
Net income per share:	¥17,371.89

8. Major Subsequent Events

The company signed a basic agreement with respect to the integration of the delivery services of the company and Nippon Express Co., Ltd. on April 25, 2008, along with Japan Post Holdings Co., Ltd. and Nippon Express Co., Ltd. This basic agreement was in line with the letter of understanding signed by Japan Post Holdings Co., Ltd. and Nippon Express Co., Ltd. on October 5, 2007. The summary of the basic integration agreement is as follows:

(1) A new company will be established on June 2, 2008 to integrate delivery service businesses.

(2) The summary of the new company is as follows:
Company name: JP Express Co., Ltd.
Address: 1-3-2, Kasumigaseki, Chiyoda-ku, Tokyo
Paid-in capital: ¥300 million

(3) We aim to accomplish delivery service business integration in April 2009, and are preparing to achieve the goal by reviewing and formulating a business plan. It is not certain now how our business performance will be affected, because we have yet to consider the details of the integration.

9. Notes to Retirement Benefits

1. Summary of retirement benefits
The Company has a lump-sum severance payment plan based on an in-house saving system in accordance with the Company's regulations on retirement benefits.

2. Information about pension obligation

(Millions of yen)

	For the current fiscal period (as of March 31, 2008)
1 Pension obligation	(1,066,871)
2 Unrecognized actuarial difference	(3,542)
3 Allowance for retirement benefits (1+2)	(1,070,414)

3. Information about pension cost

(Millions of yen)

	For the current fiscal period (from October 1, 2007 to March 31, 2008)
Pension cost	33,988
1 Service cost	25,170
2 Interest cost	8,818

4. Assumptions for the calculation of pension liabilities

	For the current fiscal period (from October 1, 2007 to March 31, 2008)
Recognition method of projected pension liabilities	Straight-line method over the determined period
Discount rate	1.6%
Recognition period of actuarial differences	13 years

5. Japan Post Bank Co., Ltd.—Non-consolidated Financial Data

The financial statements of Japan Post Bank Co., Ltd. (hereafter “the Bank”) are audited by KPMG AZSA & Co. in accordance with Article 396, Paragraph 1 of the Company Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheet (As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Cash and due from banks	¥ 8,835,055	Deposits	¥181,743,807
Cash	192,491	Transfer deposits	7,500,480
Due from banks	8,642,564	Ordinary deposits	48,243,513
Call loans	3,655,000	Savings deposits	511,045
Receivables under resale agreements	149,803	Time deposits	5,798,826
Monetary claims bought	20,908	Special deposits	109,519,634
Trading account securities	172	*TEIGAKU* deposits	9,796,566
Trading Japanese government bonds	172	Other deposits	373,739
Money held in trust	412,570	Borrowed money	20,700,000
Securities	172,532,116	Borrowings	20,700,000
Japanese government bonds	156,773,157	Foreign exchanges	327
Japanese local government bonds	7,499,247	Foreign bills sold	227
Japanese corporate bonds	7,801,698	Foreign bills payable	100
Other securities	458,012	Other liabilities	1,496,986
Loans	3,771,527	Domestic exchange settlement account, credit	22,451
Loans on deeds	3,502,875	Income taxes payable	43,457
Overdrafts	268,651	Accrued expenses	867,260
Foreign exchanges	13,453	Unearned income	12
Due from foreign banks	13,362	Derivatives other than that for trading	120
Foreign bills bought and foreign exchanges purchased	90	Other liabilities	563,684
Other assets	22,514,239	Reserve for employees’ bonuses	6,227
Domestic exchange settlement account - debit	14,748	Reserve for employees’ retirement benefits	124,932
Pre-paid expenses	423	Reserve for directors’ retirement benefits	45
Accrued income	333,950		
Derivatives other than that for trading	26	Total Liabilities	¥204,072,327
Deposits to the fiscal loan fund	20,700,000	Net Assets	
Other assets	1,465,090	Common stock	¥ 3,500,000
Tangible fixed assets	186,469	Capital surplus	4,296,285
Buildings	80,470	Capital surplus reserve	4,296,285
Land	27,121	Retained earnings	206,577
Construction in progress	44	Other retained earnings	206,577
Other tangible fixed assets	78,833	Retained earnings brought forward	206,577
Intangible fixed assets	27,106	Total shareholders’ equity	8,002,862
Software	22,652	Net unrealized gains on available-for-sale securities	73,992
Other intangible fixed assets	4,454	Total valuation and translation adjustments	73,992
Deferred tax assets	32,269		
Reserve for possible loan losses	(1,510)	Total Net Assets	¥ 8,076,855
Total Assets	¥212,149,182	Total Liabilities and Net Assets	¥212,149,182

2 Income Statement (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount
Ordinary income	¥1,328,904
Interest income	1,265,087
Interest on loans	22,847
Interest and dividends on securities	936,981
Interest on call loans	5,993
Interest on receivables under resale agreements	297
Interest on receivables under securities borrowing transactions	15,767
Interest on deposits with banks	9,222
Other interest income	273,977
Fees and commissions	59,556
Fees and commissions on domestic and foreign exchanges	35,296
Other fees and commissions	24,259
Other operating income	703
Gain on sale of Japanese government bonds and other bonds	366
Others	336
Other income	3,557
Others	3,557
Ordinary expenses	1,072,732
Interest expenses	394,863
Interest on deposits	181,412
Interest on payables under securities lending transactions	15,536
Interest on borrowings and rediscounts	197,357
Other interest expenses	557
Fees and commissions	9,704
Fees and commissions on domestic and foreign exchange	37
Other fees and commissions	9,666
Other operating expenses	1,218
Losses on foreign exchange transactions	1,214
Loss on sales of bonds	3
Loss on redemption of bonds	0
Others	0
General and administrative expenses	617,787
Other expenses	49,158
Provision for reserve for possible loan losses	495
Written-off of loans	12
Loss on money held in trust	14,905
Others	33,745
Net ordinary income	256,171
Extraordinary gain	159
Reversal of reserve for possible loan losses	159
Extraordinary losses	490
Loss on disposal of fixed assets	489
Impairment loss	1
Income before income taxes	255,840
Income taxes current	132,277
Income taxes deferred	(28,617)
Net income	¥ 152,180

3 Statement of Changes in Net Assets (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus: Capital surplus reserve	Capital surplus: Total capital surplus	Retained earnings: Other retained earnings: Retained earnings brought forward	Retained earnings: Total retained earnings	Total shareholders` equity
Balance at the end of the fiscal year	¥ 50	¥ 50	¥ 50	¥ (21)	¥ (21)	¥ 78
Changes in items during the period						
Issuance of new stock	3,499,950	4,296,235	4,296,235			7,796,185
Tax effect (deferred) due to privatization				54,418	54,418	54,418
Net income				152,180	152,180	152,180
Changes in items other than shareholders' equity (net)						
Total changes in items during the period	3,499,950	4,296,235	4,296,235	206,598	206,598	8,002,784
Balance as of March 31, 2008	¥3,500,000	¥4,296,285	¥4,296,285	¥206,577	¥206,577	¥8,002,862

	Valuation and translation adjustments: Net unrealized gain on available-for-sale securities	Valuation and translation adjustments: Total valuation and translation adjustments	Total net assets
Balance at the end of the fiscal year	¥ —	¥ —	¥ 78
Changes in items during the period			
Issuance of new stock			7,796,185
Tax effect (deferred) due to privatization			54,418
Net income			152,180
Changes in items other than shareholders' equity (net)	73,992	73,992	73,992
Total changes in items during the period	73,992	73,992	8,076,777
Balance as of March 31, 2008	¥73,992	¥73,992	¥8,076,855

4 Significant Accounting Policies and Notes to Financial Statements

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Japan Post Bank Co., Ltd. (the Bank) became a private bank under the Banking Act (1981 Act No. 59) following its privatization on October 1, 2007, pursuant to the Law Concerning Postal Privatization (2005 Law No. 97). Accordingly, the Bank's balance sheet and income statement comply with the provisions of the Ordinance for Enforcement of Banking Act (Ministry of Finance Ordinance No. 10 of 1982).

   "Savings deposits" in the balance sheet correspond with "deposits" under liabilities in accordance with the Ordinance for Enforcement of Banking Act. Accordingly, transfer deposits correspond to current deposits, ordinary deposits with ordinary deposits, savings deposits with savings deposits, time deposits with time deposits and *TEIGAKU* deposits and other deposits with other deposits. Special deposits are deposits made by Management Organization for Postal Saving and Postal Life Insurance.

   Interest on deposits in the statement of income corresponds to interest on deposits included in other expenses under the Ordinance for Enforcement of Banking Act.
2. Valuation criteria and methods for trading account securities
   Trading account securities are stated at fair market value.
3. Valuation criteria and methods for securities

(1) Held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method. Other securities with market quotations are stated at fair market value on the balance sheet date (the cost of securities sold is primarily calculated using the moving-average method). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method. Net unrealized gain or loss on other securities (including gains/losses arising from foreign exchange rate changes, but excluding those securities whose principal is hedged to protect from risk of potential foreign exchange rate changes) are included in net assets.

(2) Securities (equity securities) managed as trust assets of segregated monetary investment trusts primarily investing in securities are stated at the average market price for the one-month period prior to the balance sheet date. Net unrealized gain or loss on other money in trust is included in net assets.

4. Valuation criteria and methods for derivative transactions
   Derivative transactions are valued by the market value method.
5. Depreciation methods for fixed assets

(1) Tangible fixed assets
Depreciation of tangible fixed assets is computed by the declining-balance method.

Depreciation on buildings (excluding structures and equipment) is computed by the straight-line method.

Useful lives of principal assets are as follows:

Buildings:	3-50 years
Movable property:	2-75 years

(2) Intangible fixed assets
Amortization of intangible fixed assets, except software intended for internal use, is computed by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful lives of five years by the straight-line method.

6. Deferred tax assets
   Stock issuance expenses are charged to income as incurred.
7. Translation of foreign currency denominated assets and liabilities
   Assets and liabilities denominated in foreign currencies are primarily translated into Japanese yen at the exchange rates prevailing on the balance sheet date.
8. Reserves and allowances

(1) Reserve for possible loan losses
Reserve for possible loan losses is provided in accordance with the pre-defined standards for amortization and provision of allowance.

The Bank classifies normal assets and assets requiring caution in accordance with the Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions (Japanese Institute of Certified Public Accountants, Special Committee for Audits of Banks, etc., Report No. 4). The Bank classifies claims into normal assets and assets requiring caution into certain categories, and provides an allowance for doubtful accounts based on estimated loss ratios. In the case of claims against potentially bankrupt obligors, an allowance is provided in the amount deemed necessary based on overall solvency assessment of the loan, net of the amount expected to be collected from collateral and guarantees. In the case of claims against bankrupt obligors and effectively bankrupt obligors, an allowance is provided in the amount equivalent to the claim, net of the portion of the claim expected to be collected by collateral or guarantees.

Asset evaluation is based on self-evaluation by the Bank in accordance with the Bank's internal rules and carried out by the Asset Evaluation Division in cooperation with the Marketing Unit. The above allowances are provided based on the results of asset evaluation.

(2) Reserve for employees' bonuses
To provide for payment of employees' bonuses, a reserve is provided based on the estimated amounts to be paid, allocated over the period to which the bonuses are applicable.

(3) Reserve for employees' retirement benefits
To provide for the payment of retirement benefits to employees, an amount expected to be incurred at the balance sheet date is provided based on the estimated projected benefit obligations on the balance sheet date.

The actuarial difference is amortized and charged to income as follows: The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining service lives for employees from the fiscal year following the fiscal year in which the difference is recognized.

(4) Reserve for directors' retirement benefits
To provide for the payment of retirement benefits to directors, the Bank provides a reserve for directors' retirement benefits that is deemed to have accrued on the balance sheet date based on estimated retirement benefit obligations.

9. Accounting for hedges

(1) Hedges of interest rate risk
The Bank uses the exceptional accrual method for interest rate swaps to reduce its exposure to interest rate risk on certain monetary assets and liabilities. The deferred hedge method is employed to account for the financial derivative transactions.

(2) Hedging for foreign exchange fluctuation risk
The Bank uses market value hedges to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gain/loss on other securities exposed to foreign exchange fluctuation risk.

With respect to evaluation of hedge efficiency, the Bank 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, the Bank deems its hedges to be highly effective.

10. Accounting for consumption taxes
    All amounts stated are exclusive of consumption and local taxes (hereafter, consumption and other taxes).
11. Adoption of the consolidated taxation method
    Effective from the current consolidated fiscal year, the Bank has adopted the consolidated tax method, with Japan Post Holdings Co., Ltd. as the parent company.

2. Notes to Balance Sheet

1. Securities loaned using unsecured consumption loan contracts (securities lending transactions) include Japanese government bonds in the amount of ¥1,171,519 million.

For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with repurchase agreements or bond lending transactions secured by cash, the balance of the portion of securities where the Bank has the right to unrestricted disposal of securities through sales or reuse (pledge) as collateral was ¥152,111 million.

2. In loans, there were no claims against bankrupt obligors, past-due claims, past-due claims (three months or more) and reconstructed claims in loans (loans receivable).
3. Assets pledged as collateral are as follows:

Assets pledged as collateral
- Securities: ¥113,317,421 million

Liabilities corresponding to assets pledged as securities
- Deposits: ¥109,535,882 million

In addition to the above, assets pledged as collateral include securities pledged as collateral for an overdraft facility at the Bank of Japan in the amount of ¥1,361,157 million.

Other assets include guarantee deposits in the amount of ¥432 million.

4. A current account overdraft and a loan commitment line agreement are agreements under which the Bank guarantees to loan funds up to the commitment line upon request from the client, so long as the client is not in violation of the terms of the agreement. The outstanding commitment line was ¥1,000 million. Of the total, commitment lines expiring in less than one year and commitment lines that can be unconditionally cancelled totaled ¥1,000 million.

Since most of the commitment line contracts expire without being fully used, the unused portion of the commitment line does not necessarily affect the Bank's future cash flow. The Bank's commitment line agreement carries a covenant under which the Bank can decline a request for a loan due to changes in financial conditions, to protect claims and for other reasons. The Bank may require the obligor to pledge real estate, securities, etc., as collateral at the time of contract. Even after conclusion of the agreement, the Bank continues to monitor the obligor's financial condition, in accordance with internally established procedures, and if deemed necessary revises the agreement or takes other measures to protect its credit claims.

5. Accumulated depreciation on tangible fixed assets: ¥23,394 million
6. Net assets per share: ¥53,845.70
7. Total amount of monetary claims related to affiliates: ¥22,302 million
8. Total amount of monetary liabilities related to affiliates: ¥115,364 million
9. Retirement benefit liabilities as of March 31, 2008 were as follows:

1	Retirement benefit liabilities:	¥(124,361) million
2	Unfunded retirement benefit liabilities:	¥(124,361) million
3	Unrecognized actuarial differences:	¥(571) million
4	Net amount carried on balance sheet:	¥(124,932) million
5	Reserve for employees' retirement benefits:	¥(124,932) million

10. To establish a comprehensive information-processing system, Japan Post Bank has signed contracts for outsourcing the provision of communications services for a fourth-generation system for business operations and for outsourcing the provision of communications services for a fourth-generation management information system. Payments under the provisions of these long-term contracts are expected to total ¥51,063 million.

3. Related-party transactions

(1) Parent company and major corporate shareholders

(Millions of yen)

Type of related party	Name of company or related party	Equity ownership (owned) percentage	Relationship with related party	Description of transactions	Transaction amount	Account	Year-end account balance
Parent company	Japan Post Holdings Co., Ltd.	Owned (100%)	Directors with overlapping responsibilities (business management)	Subscription to capital increase (Note 1)	298,944	—	—
				Payment of subsidy (Note 2)	51,185	—	—

Transaction terms and method of setting transaction terms
Note 1: Investment in kind (negotiable securities (JGBs))
Note 2: Cash subsidy pursuant to Article 122 of the Law Concerning Postal Privatization

(2) Subsidiaries and affiliated companies
Not applicable

(3) Sister companies, etc.

(Millions of yen)

Type of related party	Name of company or related party	Equity ownership (owned) percentage	Relationship with related party	Description of transactions	Transaction amount	Account	Year-end account balance
Subsidiary of parent company	Japan Post Network Co., Ltd.	None	Consignment agreement for banking-related services	Payment for banking-related services consigned (Note 1)	301,046	Other liabilities	53,473
			Directors with overlapping responsibilities	Payment/receipt for funds for banking-related services consigned (Note 2)	1,563,387	Other assets	1,440,000
					—	Other liabilities	42,469

Transaction terms and method of setting transaction terms
Note 1: Based on the total cost related to the provision of the consigned services at the consignee
Note 2: Other assets
Prepayment of assets to finance withdrawal of savings under the banking services related consignment agreement
Transaction amount represents the average account balance (October 1, 2007–March 31, 2008).
Other liabilities
Amount outstanding between the Bank and Japan Post Network Co., Ltd. related to payments/receipts to/from customers under the banking services related consignment agreement
The transaction amount is not presented because, being a settlement transaction, it is very large.
Note 3: Transaction amounts are exclusive of consumption and other taxes. The year-end balance includes consumption and other taxes.

(4) Directors and individual shareholders
Not applicable

3. Notes to Income Statement

1. Income from transactions with related parties
   - Total interest income: ¥264 million
   - Total income from fees and commissions: ¥13 million
   - Total other operating income and other income: ¥104 million
   - Total income from other transactions: -

   Expense for transactions with related parties
   - Total interest expense: -
   - Total fees and commissions expense: -
   - Total for other operating expenses and other expenses: -
   - Total expense for other transactions: ¥75,378 million
2. Net income per share ¥2,026.89

   Net income per share for the period after privatization on October 1, 2007, based on the average number of common shares outstanding, was ¥1,019.41.

4. Notes to Statement of Changes in Net Assets

1. Type and number of shares issued and type and number of treasury shares

(Thousands of shares)

		Number of shares as of previous fiscal year-end	Increase in number of shares in current fiscal year	Decrease in number of shares in current fiscal year	Number of shares as of current fiscal year-end	Remarks
Shares issued						
	Common shares	2	149,998	—	150,000	(Note)
Treasury stock						
	Common shares	—	—	—	—	

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

2. Dividend policy is as follows:
Cash dividends (paid) applicable to the current fiscal year
Not applicable
Dividends for which the effective date falls after the end of the current fiscal year out of the dividends for which the record date is in the current fiscal year:

Resolution	Type of shares	Aggregate amount of dividends	Source of funds	Dividends per share	Record date	Effective date
Board of Directors' resolution approved on May 29, 2008	Common shares	¥22,800 million	Retained earnings	¥152	March 31, 2008	May 30, 2008

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

Japan Post Bank Co., Ltd. (As of October 1, 2007)

Assets	¥223,376,491 million	Liabilities	¥215,879,249 million
		Net assets	¥7,497,241 million

5. Securities

Japanese government bonds, Japanese local government bonds, Japanese corporate bonds and other securities, in addition to trading securities, CDs included in due from banks and trust beneficiary certificates included in monetary receivables purchased

1. Available-for-sale securities (As of March 31, 2008)

(Millions of yen)

	Balance sheet amount	Net unrealized gain/loss charged to period income
Available-for-sale securities	172	—

2. Held-to-maturity bonds with market quotations (As of March 31, 2008)

(Millions of yen)

	Balance sheet amount	Market value (Note 1)	Net unrealized gain/loss	Of which gain (Note 2)	Of which loss (Note 2)
Japanese government bonds	129,548,188	131,912,587	2,364,398	2,417,521	53,122
Japanese local government bonds	7,232,314	7,351,184	118,869	121,480	2,611
Japanese corporate bonds	4,387,181	4,456,220	69,038	70,562	1,523
Total	141,167,684	143,719,991	2,552,307	2,609,565	57,258

Note 1: Market value: Fair market price on the balance sheet date
Note 2: "Of which gain" and "of which loss" are net unrealized valuation gains and losses, respectively.

3. Other securities with market quotations (As of March 31, 2008)

(Millions of yen)

	Acquisition cost	Balance sheet amount	Net unrealized gain/loss	Of which gain (Note 2)	Of which loss (Note 2)
Bonds	30,670,692	30,906,419	235,727	274,542	38,815
Japanese government bonds	27,026,090	27,224,969	198,878	237,085	38,206
Japanese local government bonds	263,195	266,932	3,737	3,761	23
Japanese corporate bonds	3,381,406	3,414,517	33,110	33,695	585
Other securities (Note 3)	487,266	478,921	(8,345)	2,641	10,986
Total	31,157,958	31,385,340	227,382	277,183	49,801

Note 1: Balance sheet amount: Fair market value on the balance sheet date
Note 2: "Of which gain" and "of which loss" are net unrealized gain and loss, respectively.
Note 3: Other securities: Mainly foreign bonds

4. Held-to-maturity bonds sold during the fiscal year (April 1, 2007–March 31, 2008)

(Millions of yen)

	Cost of securities sold	Sales amount	Gain/loss on sales (Note)
Japanese government bonds	4,100,403	4,100,544	140
Total	4,100,403	4,100,544	140

Rationale: The above securities were sold in accordance with Article 282 of the Industry Audit Committee Report No.14 ("Practical Guidance on Accounting for Financial Products") issued by the Japanese Institute of Certified Public Accountants (JICPA).
Note: Gain/loss on sales includes interest on securities.

5. Other securities sold during the fiscal year (April 1, 2007–March 31, 2008)

(Millions of yen)

	Proceeds from sale	Total profit on sale	Total loss on sale
Other securities	732,235	366	3

6. Securities without market quotations and carrying value on the balance sheet (As of March 31, 2008)

(Millions of yen)

	Amount
Other securities Certificates of deposit	3,814,000

7. Reclassified securities
Not applicable

8. Redemption schedule of other securities with maturity dates and securities held to maturity (As of March 31, 2008)

(Millions of yen)

	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds	38,402,893	81,637,242	49,289,391	2,744,577
Japanese government bonds	34,774,364	74,811,916	44,742,201	2,444,675
Japanese local government bonds	1,943,227	3,284,024	2,271,995	—
Japanese corporate bonds	1,685,301	3,541,301	2,275,194	299,902
Other securities	3,773,785	365,887	149,549	3,698
Total	42,176,678	82,003,129	49,438,941	2,748,275

6. Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2008)
   Not applicable
2. Money held in trust classified as held-to-maturity (As of March 31, 2008)
   Not applicable
3. Other money held in trust (excluding those classified as for trading and held-to-maturity) (As of March 31, 2008)

(Millions of yen)

	Acquisition cost	Balance sheet amount	Net unrealized gain/loss	Of which gain (Note 2)	Of which loss (Note 2)
Other money held in trust (Note 3)	515,188	412,570	(102,618)	2,045	104,663

Note 1: Balance sheet amount represents the average market price in the one-month period up to the balance sheet date.
Note 2: "Of which gain" and "of which loss" are net unrealized valuation gain and loss, respectively.
Note 3: In the case of money held in trust, securities (equity securities) with market quotations under management as trust assets, whose market values showed a substantial decline from their acquisition costs and were not judged to recover to their book values, are restated at fair market price on the balance sheet date and net unrealized gain/loss is charged to income (hereafter "impairment loss") in the year in which they are recognized. The amount of impairment loss for the year ended March 31, 2008 amounted to ¥12,240 million. Securities were judged to be impaired when their market value showed a substantial decline from their book value. Securities were judged to be impaired:
・When their market value was 50% or less of the acquisition cost
・When their market value was 50% to 70% lower than the acquisition cost and the market price was lower than a certain minimum

7. Tax Effect Accounting

Significant components of deferred tax assets and liabilities are as follows:

Deferred tax assets	
Reserve for possible loan losses:	¥ 614 million
Reserve for employees' retirement benefits:	50,839 million
Depreciation in excess of tax-deductible maximum:	9,781 million
Other:	23,171 million
Total deferred tax assets:	84,407 million
Deferred tax liabilities	
Net unrealized gain/loss on other securities:	50,770 million
Other:	1,367 million
Total deferred tax liabilities:	52,138 million
Net deferred tax assets:	¥32,269 million

The financial statements have been audited by KPMG AZSA & Co. in accordance with the provisions of Article 396, Paragraph 1 of the Company Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

1 Balance Sheet (As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Cash and deposits	¥ 2,080,139	Policy reserves:	¥108,479,918
Cash	10,298	Reserve for outstanding claims	888,173
Deposits	2,069,841	Policy reserve	104,735,362
Call loans	788,686	Reserve for policyholder dividends	2,856,381
Receivables under securities borrowing transactions	1,454,885	Accrued payables related to reinsurance	192
Monetary claims bought	59,981	Other liabilities	2,528,971
Money held in trust	1,861,542	Payables under securities lending transactions	1,636,572
Securities	85,568,884	Income taxes payable	26,300
Japanese government bonds	68,959,931	Accounts payable	254,961
Japanese local government bonds	3,711,596	Accrued expenses	6,963
Japanese corporate bonds	10,387,483	Unearned revenues	0
Foreign securities	2,509,872	Deposits received	8,207
Loans	19,921,240	Deposits from the Organization	565,804
Loan on policies	17	Temporary payment received	26,923
General loans	12,278	Other liabilities	3,237
Loans related to the Organization	19,908,944	Reserve for employees' retirement benefits	52,316
Tangible fixed assets	97,892	Reserve for directors' retirement benefits	19
Land	40,726	Reserve for price fluctuations	559,002
Buildings	37,266	Total Liabilities	¥111,620,419
Construction in progress	9	Net Assets	
Other tangible fixed assets	19,890	Capital stock	¥ 500,000
Intangible fixed assets	44,340	Capital surplus	500,044
Software	44,326	Capital surplus reserve	500,044
Other intangible fixed assets	13	Retained earnings	27,858
Accrued receivables from insurance agents	137,754	Other retained earnings	27,858
Other assets	275,835	Unappropriated retained earnings	27,858
Accounts receivable	1,264	Total shareholders' equity	1,027,902
Prepaid expenses	293	Unrealized gains on available-for-sale securities	(123,651)
Accrued revenue	255,925	Total valuation and translation adjustments	(123,651)
Deposits to the Fiscal Loan Fund	76	Total Net Assets	¥ 904,250
Temporary payment	17,219		
Other assets	1,056		
Deferred tax assets	234,196		
Allowance for doubtful accounts	(707)		
Total Assets	¥112,524,670	Total Liabilities and Net Assets	¥112,524,670

2 Income Statement (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount
Ordinary income	¥7,686,842
Insurance premiums and other revenues	3,886,601
Insurance premiums	3,886,601
Investment income	871,353
Interest and dividend income	839,559
Interest on bank deposits	2,549
Interest/dividends on securities	546,885
Interest accrued on loans	2
Interest accrued on loans to the Organization	285,570
Other interest and dividends	4,551
Gains on sales of securities	30,779
Gains on redemption of securities	16
Other gains on investment	997
Other ordinary income	2,928,888
Reversal of policy reserves	2,922,887
Reversal of reserve for retirement benefits	666
Others	5,334
Ordinary expenses	7,674,850
Insurance payments and other expenses	6,149,669
Insurance payments	6,147,434
Additional pension contracts	960
Benefits	13
Payment due to redemption	239
Other refund	1,021
Provision for policy reserves	739,579
Provision for policy reserves	726,697
Provision for interest for policyholders' dividend reserves	12,881
Expenses for management of funds	494,801
Interest payable	1,788
Losses on investment of money held in trust	318,576
Losses on sales of securities	62,449
Losses on valuation of securities	105,568
Losses on redemption of securities	44
Losses on foreign exchange	6,231
Other losses on investment management	143
Operational costs	266,550
Other ordinary expenses	24,249
Taxes	15,176
Depreciation expenses	8,299
Provision for reserve for directors' retirement benefits	19
Other	754
Net ordinary income	11,991
Extraordinary gains	113,552
Reversal of reserve for price fluctuations	113,536
Other extraordinary gains	15
Extraordinary losses	168
Losses on disposal of fixed assets	162
Other extraordinary losses	6
Provision for policyholders' dividend reserves	106,910
Net income before income taxes	18,465
Income tax current	154,586
Income tax deferred	(143,807)
Net income	¥ 7,686

3 Statement of Changes in Net Assets (For the period from April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Capital reserve	Total capital surplus	Other retained earnings Unappropriated retained earnings	Total retained earnings	
Balance at the end of the previous fiscal year	¥ 50	¥ 50	¥ 50	¥ (22)	¥ (22)	¥ 77
Changes in items during the period						
Issuance of new shares	499,950	499,994	499,994			999,944
Tax effect adjustments due to privatization				20,194	20,194	20,194
Net income				7,686	7,686	7,686
Changes in items other than shareholders' equity						—
Total changes in items during the period	499,950	499,994	499,994	27,880	27,880	1,027,825
Balance as of March 31, 2008	¥500,000	¥500,044	¥500,044	¥27,858	¥27,858	¥1,027,902

	Unrealized gain (loss), revaluation reserve and adjustments		Total net assets
	Unrealized gain (loss) on available-for-sale securities	Total unrealized gain (loss)	
Balance at the end of the previous fiscal year	¥ —	¥ —	¥ 77
Changes in items during the period			
Issuance			999,944
Tax effect adjustments due to privatization			20,194
Net income			7,686
Changes in items other than shareholders' equity	(123,651)	(123,651)	(123,651)
Total changes in items during the period	(123,651)	(123,651)	904,173
Balance as of March 31, 2008	¥(123,651)	¥(123,651)	¥904,250

4 Significant Accounting Policies and Notes to Financial Statements

Financial Data

Note: Amounts are rounded down to the nearest million yen.

1. Significant Accounting Policies

1. Valuation criteria and methods for securities
Securities (including those securities that are included in "bank deposits" and "monetary claims bought") and deemed equivalent to securities are classified and accounted for as follows:
(1) Held-to-maturity securities are stated at amortized cost using the moving-average method (straight-line method).
(2) Bonds earmarked for policy reserves (in accordance with Industry Audit Committee Report No.21, "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants) are stated··· at amortized cost using the moving-average method (straight-line method).
(3) Available-for-sale securities
(i) With market quotations
Available-for-sale securities with market quotations are stated at fair market value as of the balance sheet date. (The cost of sold securities is calculated using the moving-average method.)
(ii) Without market quotations
Available-for-sale securities without market quotations are stated at amortized cost using the moving-average method (straight-line method).
The net unrealized gain/loss on available-for-sale securities without market quotations is directly charged to net assets.
2. Valuation criteria and methods for money held in trusts
Securities which are part of money held in trust (other than trading securities and held-to-maturity securities) are stated at fair market value as of the balance sheet date. (However, the values of shares are determined using the average market price over the past one month.)
Property as part of trust assets is stated net of accumulated depreciation. Buildings are depreciated by the straight-line method and other components of property than buildings are depreciated by the declining-balance method.
The net unrealized gain/loss with respect to money held in trust is directly charged to net assets.
3. Valuation criteria and methods for derivatives
Derivatives are stated at fair market value.
4. Depreciation/amortization method for tangible fixed assets
Tangible fixed assets are depreciated as follows:
Buildings: Straight-line method
Chattel: Declining-balance method
5. Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date.
As stated in the Corporation Tax Law, assets and liabilities involving extreme fluctuations in foreign exchange rates that seem unrecoverable (or very important) are translated using the exchange rates prevailing on the balance sheet date.
6. Allowance for doubtful accounts
The company's allowance for doubtful accounts is provided pursuant to its standards for self-assessment of asset quality, and general allowances are provided using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectibility of accounts, are provided for.
All of the company's accounts are assessed by the assessment department in accordance with the internal assessment regulations. In addition, the company has an independent department specializing in auditing asset assessment, which checks the appropriateness of the internal assessments. The above-mentioned allowances are provided based on these assessments.
Out of the Category IV accounts, ¥74 million was written off.
7. Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded in the amount which is considered to have accrued in the current fiscal year in line with the "Opinion for Setting Up Accounting Standards with Regards to Retirement Benefits," released by the Corporate Accounting Committee on June 16, 1998.
8. Reserve for directors' retirement benefits
To provide for benefits for retired directors, reserve for directors' retirement benefits is recorded in the amount that is considered to have accrued in the current fiscal year.
9. Reserve for price fluctuations
Reserve for price fluctuations is calculated pursuant to the provisions of Article 115 of the Insurance Business Act.
10. Lease accounting
Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.
11. Other important assumptions for financial statements
(1) Consumption tax
With respect to the accounting of consumption tax and prefectural consumption tax, all figures are net of consumption tax.
(2) Funding of policy reserves
Policy reserves are provided for in accordance with Article 116 of the Insurance Business Act and calculated as follows.
(i) Reserves for policies subject to standard policy reserves are calculated in accordance with the method determined by the Financial Services Agency (Ministry of Finance Directive 48, 1996).
(ii) Other reserves are calculated in accordance with the net level premium method.
(3) Amortization of software
The software used in-house, which is recorded as intangible fixed assets, is amortized over the prescribed useful lives.
12. Securities being managed under the securities trust arrangements to authorize securities lending with the objective of earning revenue are stated as ¥2,012,804 million on the balance sheet.
13. The accumulated depreciation of the tangible fixed assets is ¥3,148 million.
14. The total monetary claims related to related parties are ¥586 million, while the total monetary liabilities related to related parties are ¥129,348 million.
15. Gross deferred tax assets at March 31, 2008 totaled ¥260,101 million and gross deferred tax liabilities at March 31, 2008 totaled ¥25,905 million. Valuation allowances which are deducted from deferred tax assets amounted to ¥103 million.
The main components of deferred tax assets are losses on investment of money in trusts at ¥88,467 million, losses on devaluation of available-for-sale securities at ¥90,907 million, and reserve for outstanding claims at ¥55,670 million.
The main components of deferred tax liabilities are unrealized gains on available-for-sale securities of ¥20,718 million; and accrued dividends of ¥5,187 million.
16. The statutory tax rate for the current year was 36.21%. The main reason for the difference between the statutory tax rate and the effective tax rate was exclusion-from-expense items such as the uncollected dividend income from the stock taken over from the former Japan Post, which impacted the tax rate by 28.66%.
17. In addition to the tangible fixed assets described on the balance sheet, computers are important tangible fixed assets that are being used under lease contracts.
18. The following shows changes in reserve for policyholder dividends.

Balance received from the former Japan Post:	¥2,932,089 million
Increase due to transfer from the reserve for outstanding claims:	¥2,972 million
Dividend payments to policyholders during the year:	¥197,883 million
Increase due to interest accrued during the year:	¥12,881 million
Decrease due to purchasing additional benefit contracts:	¥589 million
Provision for reserve for policyholder dividends:	¥106,910 million
Reserves at the end of current the fiscal year:	¥2,856,381 million

19. The Company does not own any stock of related parties.

20. As policy reserves (except for the risk reserve) related to the reinsurance contracts undertaken by the Management Organization for Postal Savings and Postal Life Insurance ("the Organization"), ¥101,040,914 million is reserved. The amount was calculated in accordance with the calculation method prescribed by the company for premiums and policy reserves, and thus it exceeds the amount calculated according to the method prescribed in the calculation rule on policy reserves for postal life insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No. 101, 2005).

    The company has also provisioned a risk reserve of ¥3,076,245 million and ¥559,002 million of reserve for price fluctuations which are arising from these reinsurance contracts.

21. The "deposits from the Organization" stated on the balance sheet are equivalent to the outstanding amount as of the end of the current fiscal year of reserves at the company for indemnification and litigation which previously belonged to the Management Organization for Postal Savings and Postal Life Insurance and were transferred at the time of privatization to the company under the insurance business consignment agreement with the Organization.

22. Beginning this fiscal year, the consolidated tax payment system was employed with Japan Post Holdings Co., Ltd. as the parent company.

23. Net assets per share are ¥45,212.54.

24. Components of reserve for retirement benefits are as follows.

(1) Reserve for retirement benefits and its components

a. Benefit obligation:	¥(52,071) million
b. Unrecognized actuarial difference:	¥(244) million
c. Reserve for retirement benefits:	¥(52,316) million

(2) Assumptions for reserve for retirement benefits

a. Recognition of projected pension liabilities:	Straight-line method over the determined period
b. Discount rate:	1.7%
c. Recognition period of actuarial differences:	14 years

2. Notes to Income Statement

1. Revenues from transactions with related parties are ¥262 million, while expenses are ¥7,723 million.
2. Main components of the gains on sales of securities are the gains of ¥30,779 million on sales of foreign securities.
3. Main components of the losses on sales of securities are the losses of ¥11,237 million on sales of Japanese government bonds and other bonds and ¥51,212 million on sales of foreign securities.
4. The main component of the losses on valuation of securities is ¥105,568 million for foreign securities.
5. Losses on investment of money in trusts include losses on valuation of securities of ¥244,317 million.
6. Net income per share for the fiscal year was ¥768.54. However, considering the net income after the privatization on October 1, 2007, the net income per share where the income after privatization was divided by the average number of shares during the term was ¥385.37.
7. Premiums include the premiums of ¥3,258,275 million for accepted reinsurance, paid by the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, under a contract concerning reinsurance concluded with the entity.
8. Insurance payments include an insurance payment of ¥6,147,407 million to the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, under the reinsurance contract concluded with the entity.
9. Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative entity, ¥106,910 million was provided for policyholders' dividend reserves based on the performance of the segment related to reinsurance.
10. Costs related to retirement benefits are as follows:

a. Service cost:	¥1,375 million
b. Interest cost:	¥449 million

11. Transactions with related parties are as follows:

(1) Fellow subsidiaries

Type of relation-ship	Company name	Voting rights (owning or being owned by)	Description of relationship	Description of transactions	Transaction amount (millions of yen)	Account name	Balance at the end of the fiscal year (millions of yen)
Subsidiary of the common parent	Japan Post Network Co., Ltd.	–	Insurance agent	Business consignment	207,942	Payables to insurance agents	36,296

Conditions of transactions

Note 1: Conditions are determined based on the final cost that incurs to the consignment company related to the consigned business operation.

Note 2: The transaction amount does not include consumption tax. However, the balance at the end of the fiscal year includes consumption tax.

(2) There are no transactions with directors.

3. Notes to Statement of Changes in Net Assets

1. Information concerning type and number of outstanding shares

(Thousands of shares)

Type of shares	Number of shares at the end of the previous term	Increase	Decrease	Number of shares as of March 31, 2008
Outstanding shares (Common)	2	19,998	—	20,000
Total	2	19,998	—	20,000

Note 1: Japan Post Insurance Co., Ltd. was established by changing the articles of incorporation of the former Kanpo Co., Ltd. The number of shares at the end of the previous term shows the number of shares of the former Kanpo Co., Ltd.

Note 2: The increase in shares is because new shares were issued in accordance with the succession plan described in Article 166, Paragraph 1 of the Law Concerning Postal Privatization (2005, Law No. 97) pursuant to Article 128, Paragraph 1 of the same law.

2. Others

The Company received an asset contribution from the former Japan Post on October 1, 2007 in accordance with the succession plan described in Article 166, Paragraph 1 of the Law Concerning Postal Privatization (2005, Law No. 97) pursuant to Article 128, Paragraph 2 of the same law. The following table shows the overview of the assets contributed.

Japan Post Insurance Co., Ltd.

(As of October 1, 2007)

Assets	¥113,737,248 million	Liabilities	¥112,737,304 million
		Net assets	¥999,944 million