

Postal Services in Japan

Annual Report

2004

Postal Services in Japan 2004

A n n u a l R e p o r t

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MESSAGE FROM THE PRESIDENT

One year has quickly elapsed since Japan Post was established in April 2003. During this year, the Japan Post employees have come together to improve customer service and rebuild Japan Post so that it abounds with new value, all under the slogan of the customer as number one (which we call “Macco Services”). Thanks to these efforts, we have made a solid start overall, and I thank everyone for their unflinching support.

STRIVING TO CREATE A JAPAN POST ABOUNDING WITH NEW VALUE; PROMOTING MANAGEMENT REFORM

At the establishment of Japan Post, I proposed a three-part corporate vision: (1) providing our Macco Services; (2) creating a sound management base; and (3) providing a satisfying working environment. Our goal is to achieve this three-part corporate vision and the four-year Mid-term Management Plan, established under the framework of the Japan Postal Public Corporation Law, and we will do this by laying out an action plan that outlines specific activities for the initial two years, as well as by reforming management.

Specifically, we have changed the Japan Post's previous organization, which was similar to that of an administrative government agency, and undergone organizational reforms to shape Japan Post into a headquarters and branches that will result in an efficient, active market-oriented corporate organization. With the cooperation of Toyota Motors, we have developed a system called Japan Post System (JPS) to raise productivity. The entire company is working together in this effort. The Koshigaya Post Office in Saitama Prefecture, which was the first to adopt this system, saw a 21% rise in productivity, and the 14 model post offices designated for the nationwide expansion improved productivity by 12% (as of March 2004). The administrative centers for postal savings and Kampo as well as the post offices are pursuing similar efforts. We are targeting a 20% reduction (compared to fiscal 2002 levels) over two years in procurement costs, and aim to ensure that the procurement process is competitive, transparent and equitable, without exception. In fiscal 2003, we cut procurement costs 13.7%.

On the service side, we are endeavoring to improve a variety of services to better meet customer needs. We are marketing new products such as the EXPACK500 and the Nagaiki-kun lifetime insurance plan (balance type), and are also improving ATM convenience. We are also pursuing affiliations and cooperative ventures with the private sector in order to create new value for Japan Post. In affiliation with convenience stores, Japan Post sets up mail boxes in convenience stores and the stores receive Furusato (Hometown) parcels for shipment. We are also building comprehensive cooperative relationships with distributors.

The economic environment is quite harsh due to the spread of Information Technology (IT), heightened competition with private-sector companies, and a prolonged period of low interest rates. Despite this, however, Japan Post's progress in conducting management reforms and securing revenue resulted in approximately 2.3 trillion yen in profit overall for fiscal 2003, Japan Post's first fiscal year. Although there were concerns about postal operations, the 2.3% year-on-year decrease in the total volume of mail received and a 63.9 billion yen decline in revenue, higher efficiency and productivity combined with cuts in procurement costs resulted in 26.3 billion yen in profit (representing a 48.8 billion yen improvement over the 22.5 billion yen loss in fiscal 2002). Nevertheless, the business environment remains harsh. The postal savings and postal life insurance services saw an approximately 6 trillion yen reduction in both the balance of postal savings and the amount of Kampo Funds, but postal savings posted 2,275.5 billion yen in profit, while postal life insurance stockpiled 4.1 billion yen in retained earnings (reserves for price fluctuations).

Masaharu Ikuta
President
Japan Post



FISCAL 2004: YEAR FOR STRAIGHTFORWARD COMPETITION AND THOROUGH IMPLEMENTATION OF ACTION PLAN

Fiscal 2004 is the final year of the two-year action plan and will therefore be made the “year for straightforward competition” and full implementation of the action plan.

Postal Services is striving to improve quality and service under the slogan “Target 10” (a 10% share of the parcel delivery market by fiscal 2005) to raise its service to first class levels. JPS is also working to improve productivity in approximately 1,000 post offices around the country by 10%, and to make radical reforms in its operations structure.

The overall organization will continue to improve customer satisfaction while also raising employee satisfaction, which leads to customer satisfaction. This will enable Japan Post to put our Macco Services into action. Post offices’ organization and operations will be revised to improve the frontline for customer service. While expanding JPS throughout the country, we will achieve a 20% reduction in procurement costs.

We will have to make drastic changes to work practices and work flow to succeed in these efforts, and promote cultural forms to create an invigorating workplace. Japan Post will reform its mechanisms for decision-making and information distribution and expand the PDCA cycle from headquarters to branches and post offices.

PROMOTING FURTHER MANAGEMENT REFORM TO ACHIEVE MANAGEMENT VISIONS

Japan Post will constantly advance and create new value to maximize its corporate value. By providing customers with straightforward service that will please them and earn their trust and respect, Japan Post will achieve its three management visions of providing our Macco Services, creating a sound management base, and providing a satisfying working environment.

Aiming to create new value, we are striving to strengthen our international business and to become a “one-stop convenience office.” This concept upgrades the services offered at the post office counter, representing closer alliances with private-sector businesses and local governmental bodies.

We have prepared this report so that our public will gain a better understanding of Japan Post’s efforts and hope that it will be of use.

We will continue to work together to provide our Macco Services and ask for your continued support and good faith.

September 2004

There may be discrepancies in the totals for figures and percentages in the tables of this report as a result of rounding.