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## Management Efforts

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# 1 Management Efforts

## 1 Japan Post Management Philosophy

We at Japan Post ...

...will strive as professionals to provide every customer with exceptional service.

...promise to contribute to the enrichment of people's lifestyles, and the community.

...create new value and continue to grow, while reinforcing the foundation of trust that supports us.

## 2 The Japan Post Charter

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

## 3 The Japan Post Declaration on the Environment

### PRINCIPLES

With a network that provides services throughout the country, Japan Post will carry out its business activities in an environmentally friendly manner, so as to protect nature and help to pass on a better global environment to our children.

### POLICIES

1. Japan Post will comply with all laws and regulations pertaining to the environment, and carry out activities to help reduce further adverse impacts upon it.
2. In our business activities we will try to conserve resources and energy, and to recycle used materials.
3. We will initiate programs to promote recycling in society at large, through the use of environmentally friendly products and other means.
4. We will endeavor to heighten public awareness of environmental issues, through such means as disclosing information about our own performance and by promoting educational programs.
5. As representatives of post offices that are an intrinsic part of local communities, we will support and take an active part in various environmental protection programs carried out in local communities.

## 4 Corporate Vision

Providing straightforward customer-oriented services (“Macco Service” in Japanese)

Japan Post will deliver better and more attractive services to customers nationwide, and will always wholeheartedly strive to serve from the customer’s viewpoint.

Creating a Sound Management Base

Introducing private-sector management tools, Japan Post will make each of its sectors (postal services, postal savings and postal life insurance) profitable and self-financing.

Providing a Satisfying Working Environment

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

## 5 Mid-term Management Goals and Mid-term Management Plan

Japan Post has set Mid-term Management Goals consisting of firm objectives which Japan Post must achieve over a four-year period, together with a Mid-term Management Plan for attaining these objectives.

As well as providing means for the management of Japan Post, the two policies will also provide a target for use in evaluation of the Corporation's business performance. Japan Post has formulated the plan described in 1-4 below on the basis of the Japan Postal Public Corporation Law (2002 Law No. 97) and the regulations for the enforcement of the Japan Postal Public Corporation Law (2003 Ministry of Public Management, Home Affairs, and Posts and Telecommunications Ordinance No. 4). The plan has been approved by the Minister of Public Management, Home Affairs, and Posts and Telecommunications.

## 6 Management Plan for Fiscal 2004

According to stipulations in the Japan Postal Public Corporation Law and in the regulations for the enforcement of the Japan Postal Public Corporation Law, Japan Post will establish a plan concerning management for each business year on the basis of the Mid-term Management Plan, which will be presented to the Minister of Public Management, Home Affairs, Posts and Telecommunications prior to the commencement of each business year. The Management Plan for Fiscal 2004 contains items set down in the Mid-term Management Plan that are to be implemented during fiscal 2004, and includes documents related to forecasts for income and expenses for fiscal 2004.

\* For detailed information on the Mid-term Management Goals, Mid-term Management Plan and the Management Plan for fiscal 2004, please see Japan Post's website:

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

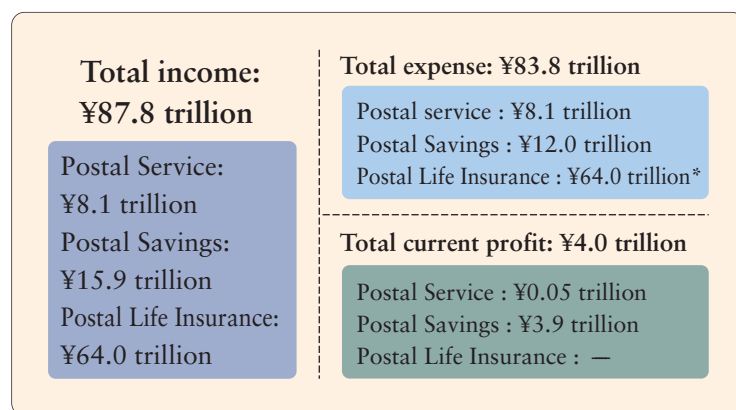
### I. OUTLINE OF MID-TERM MANAGEMENT GOALS FOR FISCAL 2003-2006

Items	Business Operations			
	Japan Post as a Whole	Postal Service	Postal Savings Services	Postal Life Insurance Services
Basic direction of management	Effective use of the post office network Promotion of independent and flexible management International cooperation and partnerships			
Ensuring financial soundness	Ensuring financial soundness	Accumulated funds of ¥50 billion or more	Accumulated funds of ¥3.9 trillion or more	Total added Contingency Reserve and Price Fluctuation Reserve: ¥300 billion or more
Enhancement of operational efficiency	Enhancement of operational efficiency	Business expense rate: 98.5% or less	Business expense rate: 0.52% or less	Business expense rate: 5.1% or less
Maintenance and enhancement of service level	Improving customer satisfaction Fully committed to meeting compliance requirements	On-time delivery rate: 97.0% or higher	Services improvement for customer satisfaction	Lapse and Surrender rates: Insurance: 3.6% or less Annuity insurance: 2.3% or less
Others		Upgrading of management	Upgrading of management	Upgrading of management

## MID-TERM MANAGEMENT PLAN (MAIN ITEMS)

	Objectives for all business operations
Japan Post as a whole	1. Effective use of the post office network (“one-stop service,” ATM Tie-Up services, etc.) 2. Promotion of independent and flexible management (introduce region-based profit-loss management, use of information technology, etc.) 3. International cooperation and partnerships 4. Enhancement of operational efficiency (computerize business processing, reduce procurement costs, etc.) 5. Improving customer satisfaction and enforcement of compliance
Postal services	1. Enhancement of operational efficiency (promote computerization of postal handling, increase competitive contracts, etc.) 2. Maintenance and enhancement of postal services (enhance forwarding and receiving services, promote a letter-writing culture, improve delivery speed, etc.) 3. Upgrading of management (introduce region-based profit-loss management, strengthen information systems, etc.)
Postal savings services	1. Enhancement of operational efficiency (computerize business processing, re-examine administrative processes, re-organize Postal Savings Operations Centers, etc.) 2. Enhancement of services to improve level of customer satisfaction (enhance network services, produce a “Customer Service Manual,” incorporate consulting skills in employee training and education, total commitment to meeting compliance requirements, etc.) 3. Upgrading of management (enhancement of Asset Liability Management (ALM) system, enhancement of risk management system, introduction of management accounting system, etc.)
Postal life insurance services	1. Enhancement of operational efficiency (enhance efficiency of collecting, reorganize Postal Life Insurance Operations Centers, etc.) 2. Enhancement of services to improve level of customer satisfaction (strengthen system through which customer opinion is reflected in business operations and improvements to services and products, improve level of services by enhancing employees’ consulting skills, total commitment to meeting compliance regulations, etc.) 3. Upgrading of management (strengthen profit-loss management system, strengthen risk management system, etc.)

### 3. PROVISIONAL INCOME AND EXPENSE DURING THE FIRST MID-TERM MANAGEMENT PLAN PERIOD (FISCAL 2003 TO FISCAL 2006)

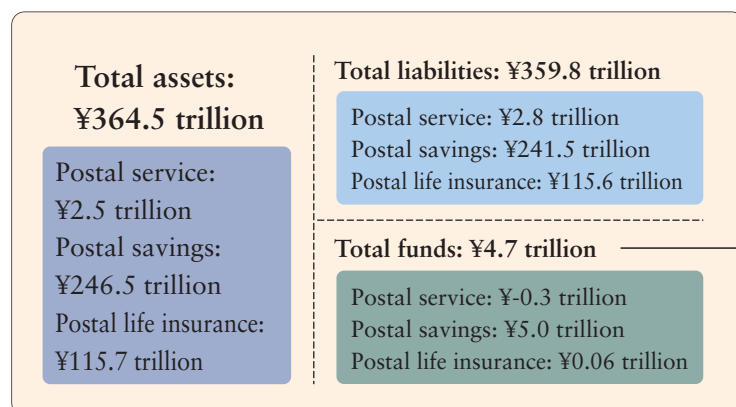


#### (Reference) Prerequisites

The Mid-term Management Goal and Mid-term Management Plan were established with the prerequisite that the yield on 10-year Japanese government bonds would stand at 1.5% at the end of fiscal 2003 and would amount to 1.7%, 1.9% and 2.1% at the end of each preceding fiscal year.

\* Insurance expense includes Reserve for Dividend carried over, totaling ¥0.5 trillion.

### 4. PROVISIONAL ASSETS AND LIABILITIES OF THE FIRST MID-TERM MANAGEMENT PLAN PERIOD (AT 31 MARCH 2007)



#### Of which

Difference of assets and liabilities at the time of establishment of Japan Post: ¥1.0 trillion

Retained earnings: ¥4.0 trillion

Postal service : ¥-0.4 trillion  
 Postal savings : ¥1.3 trillion  
 Postal life insurance : ¥0.1 trillion

Postal service : ¥0.05 trillion  
 Postal savings : ¥3.9 trillion

## 7 Action Plan

### ■ ACTION PLAN OBJECTIVES

The Action Plan is a corporate action program for translating Japan Post's Corporate Vision into a reality, and for ensuring the achievement of the Mid-term Management Goals over a four-year period.

#### Objectives

1. During the first two years, reforms will be brought forward as much as possible to ensure the achievement of the Mid-term Management Goals.
2. Although there are existing plans such as the New Vision for Postal Services that had been prepared prior to the incorporation of Japan Post, the inauguration of Japan Post necessitates a new action plan.
3. To provide a concrete corporate vision that focuses on the medium-to long-term development of postal services.

### ■ ACTION PLAN FOR JAPAN POST (MAIN ITEMS)

#### Providing Straightforward Customer-oriented Services (“Macco Service” in Japanese)

##### **Raise Customer Satisfaction**

To ensure that Japan Post continues to provide better and more appealing service, it will move quickly to reflect the comments of customers and the frontline employees who interact directly with customers in management and translate their opinions into improvements in service and operations. This dedication will raise customer satisfaction.

##### **Effective Use of the Post Office Network**

The post office network is an information, distribution and financial network that extends across Japan. At the same time, it functions as a trustworthy local center. We are utilizing this post office network as an important business resource and strive to raise its value as a marketing asset.

##### 1. Strategic Promotion of Regional Policies

We will examine services such as local government consignment operations and the Furusato parcel service, and the present state and effectiveness of regional policies, as well as demand for these services, and then take steps to promote their augmentation and enhancement.

We will also consider the possibility of introducing a “one-stop convenience office.”

##### 2. Promotion of Alliances With the Private Sector

We will promote further collaboration and alliances with private businesses in areas such as distribution and finance so that we may improve benefits to our customers.

##### **Strengthening International Business**

We will promote international cooperation and alliances with other countries' postal services to adapt to the growing globalization and will examine new business models through alliances with private-sector businesses.

Japan Post will train personnel with an international outlook and skills by sending them overseas and will enhance a system enabling appropriate responses to globalization, as with the establishment of overseas offices.

## Creating a Sound Management Base

### **Corporation-wide Implementation of a Project for Productivity Improvement**

Productivity improvement is vital for the more efficient provision of improved services to customers. Accordingly, we will actively promote reforms throughout Japan Post by using creative measures to improve productivity through the elimination of excesses, waste and irregularities.

### **Creation of Information Foundation Supporting Customer-oriented Services**

Based on the “IT Vision” and “Medium-Term IT Plan” established in fiscal 2003, we will improve customers’ convenience, satisfaction and trust, make management more efficient and streamline operations. Also, we will optimize IT expenditures by establishing rules to assess IT investment and a post-evaluation system, as well as implementing a plan to cut IT costs.

### **Re-examination of All Procurement Activities**

In overall procurement activities, we will review all negotiated contracts to ensure their competitiveness, optimize procurement volume to eliminate excess, waste and irregularities, and review special specifications, adjusting all contracts without exception. This will ensure increased competitiveness, transparency and fairness in all of our procurement activities. In addition, the entire organization of Japan Post will pursue the reduction of procurement costs through the setting of common goals aimed at such reduction.

## Providing a Satisfying Working Environment

### **Reforms Concerning Employee Consciousness and Corporate Culture**

We will promote a reform of Japan Post’s culture, drastically changing work methods and workflow. We will carry out our business with speed (expediting the decision-making process and implementation of decisions), respond promptly to the market and frontline operations, and improve the productivity of both the organization and the individuals working within it.

### **Establishment of a Flat and Open Decision-making System**

We will strive to establish a flat and open system for decision-making by transforming the prior “top-down” culture. Japan Post will encourage the exchange of opinions between employees on the one hand and headquarters and branches on the other through frontline forums, and will also create a system ensuring that postal employees’ opinions are reflected in management.

### **Review of Post Office Organization and Operation**

To vitalize post offices and improve the features of customers’ frontline services, we will revise post offices’ organization and administration to promote sales and operations. We will create a system by which information is shared across headquarters, branches and post offices, enabling unified and expeditious action.

### **Personnel System Based on Skills and Performance**

Creation of a working environment that motivates employees and helps them reach their full potential is essential to ensure improved services and more efficient business management. We shall, therefore, build a framework that rewards hard-working employees by introducing comprehensive reforms for all of our human resources systems (staff evaluation system, recruitment and training system, compensation system, etc.), focusing on skills and performance.

For further details on the Action Plan, please visit Japan Post’s website:

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

## ■ POSTAL SERVICE ACTION PLAN

### Expansion of Parcel and Direct Mail Markets Through First Class Service and Quality

#### Shift into surplus and expansion and reproduction of business

Totals for fiscal 2003 and 2004

	Action Plan	Mid-term Management Plan
Revenue	3,889.4 billion yen	4,060.6 billion yen
Expense	3,868.0 billion yen	4,051.4 billion yen
Profit	21.4 billion yen	9.2 billion yen

#### I. Improving Quality of Service and Meeting Customer Needs

##### 1. Meeting Customer Needs

We will improve products and service and enhance marketing capacity by devising a marketing system.

- (1) Ordinary parcels: Expansion of share in small parcel market to 10% over three years by fiscal 2005 through thoroughgoing improvements to service and quality, including provision of faster, comprehensive services, establishment of collection and delivery systems and commencement of distribution services in the recycling sector.
- (2) Direct mail and booklet parcels: Creation of new demand by engaging in the corporate solutions business, provision of a comprehensive service, enhancement of collection system and service upgrades.
- (3) Postal services using delivery records, EMS and IT \*  
(Note\*) Computer mail, hybrid mail, Letax, etc.

##### 2. Improving Quality of Service

- (1) Developing campaign to improve customer interaction
- (2) Providing services as promised
- (3) Establishing thorough compliance measures

#### II. Improving Efficiency and Productivity

- (1) Establishment of operation foundation to provide customer-oriented services, rebuild the transportation network, and promote the rebuilding of the external work system

##### (2) Promotion of JPS

Establish and promote numerical targets for productivity and quality management

##### (3) Cost cutting

Cut 242 billion yen in expenses over two years in addition to the cuts already targeted in the medium-term management plan (about 153 billion yen in personnel expenses, about 89 billion yen in non-personnel expenses)

- a) Personnel expenses: Reductions through automation, redeployment of personnel and improved productivity  
(Reference) 127,000 staff (April 2003)  
→115,000 (March 2005)  
Forecast at the time of the establishment of the mid-term management plan: 119,000 (March 2005)

- b) Non-personnel expenses: Review of procurement methods and review of specifications for vehicles and equipment

#### III. Investment Strategy to Boost Competitiveness

Over two years, approximately 80 billion yen in total investment will be made, in addition to that targeted under the Mid-term Management Plan.

1. Distribution network: Establishment of collection, delivery and transportation network to speed up mail
2. Information systems: Enhancement of mail tracking systems
3. Sales and collection system: Establishment of sales force of 10,000 people
4. Other: Amendment to market competitive rate levels



## Providing Retail Service with a High Level Customer Satisfaction

Fiscal 2004

	Action Plan	Medium-term Management Plan
Balance of postal savings	217 trillion yen	216 trillion yen
Cost ratio(Average in 2003 and 2004)	0.47%	0.50%
Revenue from fee and commissions	87.0 billion yen	83.4 billion yen
Net worth	3.9 trillion yen <sup>(Note)</sup>	About 3.4 trillion yen <sup>(Note)</sup>

Note 1: This figure assumes that interest rates (10 year JGB yields of about 1.36%) will remain unchanged throughout the year.

Note 2: Net worth at the time of establishment of Japan Post was assumed to be 1.3 trillion yen, according to the medium-term management plan (it was actually 1.8 trillion yen), and interest rate estimates assume that 10 year JGB yields are 1.50% at the end of fiscal 2003 and 1.70% at the end of fiscal 2004.

Note 3: The figure for net worth does not factor in valuation losses/gains on marketable securities bought for trading purposes and other marketable securities.

### I. Improving Quality of Service and Meeting Customer Needs

#### 1. Upgrading Customer Services

- (1) Promotion of remittance and settlement services using the postal savings network
- (2) Augmentation of marketing
- (3) Development of survey on customer satisfaction

#### 2. Improving Service Quality

- (1) Upgrading services at post office counters
- (2) Revising indicators for operation quality
- (3) Efforts to augment methods for confirming identity of rightful holder
- (4) Establishing thorough compliance measures

### II. Enhancing Revenue Management and Risk Management

#### 1. Expanding Revenue from Fees

- (1) Establishment of system to sell investment trusts at post office counters
- (2) Aggressive efforts to sell Japanese government bonds
- (3) Expansion of open networks
- (4) Develop multi-payment networks
- (5) Introduce fees for card reissuance

#### 2. Increase Profitability, Secure Sound Management

- (1) Secure sophisticated ALM and revenue from fund management
- (2) Ensure systematic fixed amount, fixed-term new deposits
- (3) Enhance the risk management system
- (4) Address asset-backed securities (ABS)
- (5) Full-scale operation of management accounting system

#### 3. Improving Productivity

- (1) Implement measures to reduce expenses
- (2) Simplify products and services
- (3) Review marketing promotion system
- (4) Review delivery channel

### III. Promoting Efficiency

#### 1. Personnel expenses: Reduce by streamlining external employees

(Reference) Number of employees 59,500 (April 2003)  
→ 57,400 (March 2005)

Forecast at the time of the establishment of the medium-term management plan: 58,200 (March 2005)

#### 2. Non-personnel Expenses: Reduce expenses by 74 billion yen in addition to cuts targeted in the medium-term management plan by reducing IT costs

## Best Service for Basic Financial Security

Always the most trusted by customers, and continuing to provide Postal Life Insurance that offers complete satisfaction

Fiscal 2004

	Action Plan	Medium-term Management Plan
Premium income	11.76 trillion yen	12.7167 trillion yen
Operating expenses	610 billion yen	631.3 billion yen
Operating expense ratio	5.1%	5.0%
Total funds	117.8 trillion yen	118.8 trillion yen

Note: Operating expenses will be reduced by 38 billion yen in the two-year period from fiscal 2003 through fiscal 2004, in addition to the cuts targeted in the medium-term management plan.

### I. Improving Quality of Service and Meeting Customer Needs

—Addressing Changes in the Insurance Market and Reforming the Revenue Structure—

Post offices will actively carry out marketing activities and ensure thorough compliance to meet goals. The branch offices will provide sales guidance and monitor progress, supporting the post offices. Headquarters will enhance the management foundation, ensuring higher customer satisfaction and responding to sustained low interest rates.

1. Secure new contracts: Insurance premiums on new contracts 65.5 billion yen
2. Prevent lapsed and surrendered contracts: Lapse and surrender ratio  
Insurance 3.6%  
Annuity 2.3%
3. Enhance sales of security products: 40% share of security products in sales
4. Improvement of rate at which special contracts are added: over 90% for rate at which special contracts are added to new contracts

### II. Improving Efficiency and Productivity

1. Personnel expenses: Reduce by improving efficiency of bill collection and efficiency of the postal insurance operations centers  
(Reference) 43,800 employees (April 2003)  
→ 42,500 (March 2005)  
Forecast at the time of the establishment of the medium-term management plan: 42,900 (March 2005)
2. Non-personnel expenses: Reduce expenses by 38 billion yen during a two-year period, in addition to the cuts targeted in the medium-term management plan, by cutting procurement costs and revising measures
3. Improving efficiency of management of policyholder welfare facilities
  - (1) Expand external contracting
  - (2) Close unprofitable facilities
4. Improving Productivity
  - (1) Expand efforts made at the Tokyo Postal Life Insurance Operations Center on a nationwide basis
  - (2) Revise operation process

### III. Better Management Control

1. Strengthening management control  
Augment comprehensive revenue management
2. Strengthening risk management
  - (1) Promote multi-layered risk management (three-layer management)
  - (2) Introduce more sophisticated risk management methods

## 2 Strengthen Management Foundation

### 1 Compliance Efforts

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

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

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

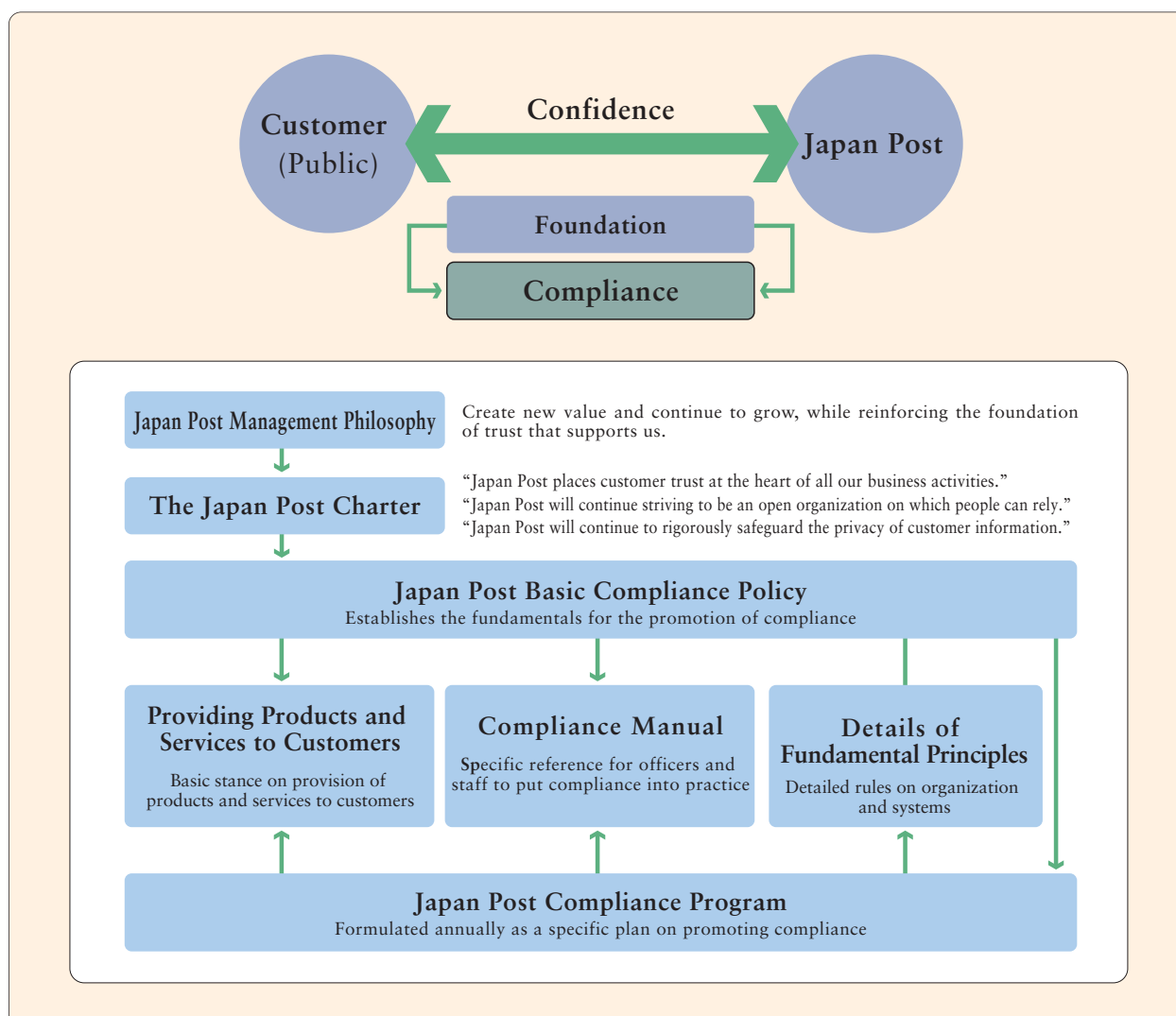
#### I. ESTABLISHMENT OF COMPLIANCE POLICIES

Japan Post has established the compliance policies outlined below:

- (1) Japan Post Basic Compliance Policy  
The Basic Compliance Policy establishes the basic components to promote compliance, based on Japan Post Management Philosophy and the Japan Post charter.
- (2) Guidelines for provision of Products and Services  
Based on (1), the basic stance on providing products and services at post offices is established.
- (3) Japan Post Compliance Program  
Based on (1), the Compliance Program establishes specific plans to promote compliance and is formulated on an annual basis.
- (4) Compliance Manual  
Based on (1), the Compliance Manual serves as specific guidelines so that executives and employees practice compliance and is distributed to all executives and employees.

A Compliance Manual (for employees in the insurance area) with content specific to employees working in insurance solicitation and Compliance Manual (for policyholder welfare facilities employees) are also written and distributed for employees in the insurance area and those working in policy holder welfare facilities, respectively.

## System of Compliance Principles



## Guidelines for Provision of Products and Services

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

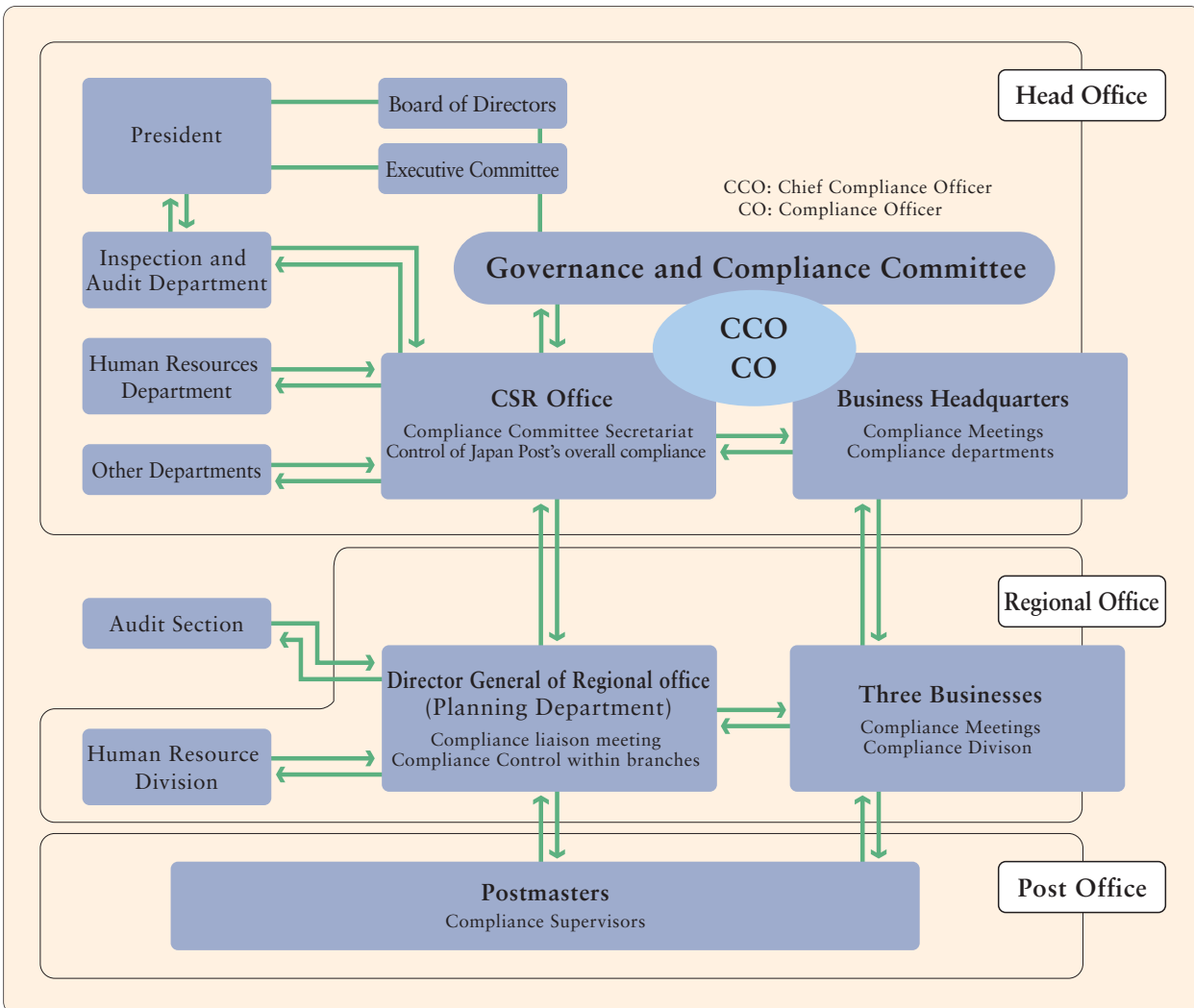
1. We shall seek to meet customer needs by providing products and services in an appropriate manner.
2. We shall endeavor to provide information that leads to an adequate understanding of the content of goods and services so that customers are able to make their own choices.
3. We shall not give out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

## 2. CREATING A SYSTEM FOR COMPLIANCE PROMOTION

The Japan Post Governance and Compliance Committee was established at Head office as a system to promote compliance based on the Japan Post Basic Compliance Policy. The Chief Compliance Officer (CCO) was also appointed to take responsibility for controlling the promotion of compliance measures throughout Japan Post.

Compliance Officers (CO) were also appointed at the headquarters' CSR office and Business Headquarters to take responsibility for control the promotion of compliance efforts, and a compliance supervisor was appointed in each organization.

### Compliance Promotion System Chart



## 2 Risk Management Efforts

### 1. BASIC CONCEPT ON RISK MANAGEMENT

#### Basic Concept on Risk Management

Japan Post runs the postal business, postal savings and postal life insurance -- three distinct businesses that each face different risks.

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

## Japan Post's Risk Management System

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

In particular, an Integrated Risk Management Department was established in the Financial Headquarters as a risk management department whose role is to conduct integrated risk management for the postal savings and the postal life insurance businesses, respectively. Additionally, a Risk Management Committee was respectively set up to discuss risk management issues. These steps are intended to enhance the risk management system.

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

### ■ 2. RISK MANAGEMENT IN POSTAL SAVINGS BUSINESS

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

Ensuring appropriate risk management and control of postal savings is the most crucial issue for business management so that customers feel secure when using postal savings. Japan Post strives to maintain sound management and earn the faith of its customers.

#### Risk Management System for Postal Savings Business

In order to manage risk effectively in keeping with its distinctive features, the postal savings business manages risk in accordance with its Basic Risk Management Policy, which stipulates the basic management system.

When devising a risk management system for postal savings, a risk management system (a multi-layered system composed of three layers) is formulated effectively utilizing management resources, based on the concept of simple and efficient risk management. This concept achieves a balance between effective risk management and efficient operations.

Specifically, the Integrated Risk Management Department uses quantitative, probabilistic methods to directly measure and manage risks affecting sound management. The Postal Savings business organization is divided into front (divided into front and back) and middle, with the front (the first tier, with jurisdiction over all operations) establishing risk management regulations and the middle layer (second tier) managing risk management conditions. The integrated middle (third tier) serves as an independent risk management department that indirectly manages the management system of the first and second tiers.

Furthermore, the organization relating to postal savings business is arranged so that conflicts of interest are divided organizationally and by positions of responsibility, in principle. It is an organizational structure that serves as a mutual checks and balance from the risk management viewpoint. The Postal Savings Risk Management Committee established in the Financial Headquarters discusses the status of management efforts.

## Efforts to Sustain Sound Management

Until recently, Postal Savings’ assets have primarily consisted of fiscal loan deposits (with a deposit period of seven years at a fixed interest rate), but since fiscal 2001, when full-scale autonomous investment of Postal Savings funds was started, Japan Post has allocated its funds for new investment primarily to securities, such as Japanese government bonds. Also, liabilities mainly consist of Teigaku savings (with a maximum deposit duration of 10 years, fixed rates and withdrawal permitted after the initial six months).

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

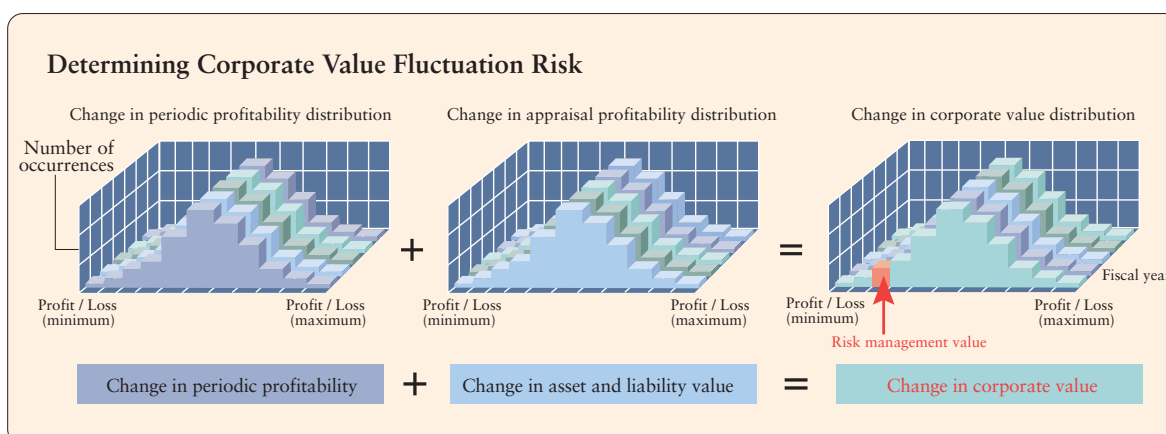
### Measuring Corporate Value Fluctuation Risk

Company Earnings and Value at Risk (CEVaR) is used to measure corporate value fluctuation risk. A simulation using the postal savings’ risk management model that substantiates CEVaR called RaVEC (registered trademark) measures corporate value fluctuation risk.

RaVEC calculates future assets and liabilities based on scenarios generated from 10,000 randomly generated interest rates, foreign exchange and share prices. Simulating fluctuations in profit/loss and asset value enables Japan Post to gain a quantitative and probabilistic understanding of corporate value fluctuation risk from the profit/loss distribution. Corporate value fluctuation risk is managed primarily using a CEVaR (based on the balance sheet) of 95% in a worst-case scenario.

CEVaR (based on balance sheets) is the sum of the difference in assets and liabilities at establishment, retained earnings (or losses), and differences in valuation losses on other securities (corresponding to capital in the balance sheet in the financial statements). Japan Post manages its risks by ensuring that it will not post a deficit in the worst 95th percentile (the 9,500th value starting from the positive values) among the 10,000 simulation results.

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



### Results of Measurements of Corporate Value Fluctuation Risk (at end of March 2004)

	End of FY 2004	End of FY 2005	End of FY 2006
Worst 95% CEVaR (based on balance sheet)	3,451.8 billion yen	4,201.6 billion yen	4,905.7 billion yen

Note 1: The figures represent the worst 95% value for each fiscal year using probability distribution and are not sequential.

Note 2: The worst 95% value of CEVaR (B/S base) is a simulation result for the capital section of the balance sheet of future financial statements and includes “difference of assets and liabilities at the time of establishment of Japan Post (1,804.4 billion yen).”

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

(End of March 2004)

Factor	Asset	Balance	Sensitivity	
Interest rate	Bonds held until maturity	77 trillion yen	+ 0.1%	- 294 billion yen
	Other marketable securities (balance sheet)	33 trillion yen	+ 0.1%	- 102 billion yen
Foreign exchange	Foreign currency denominated bonds (balance sheet)	3 trillion yen	10 yen appreciation	- 265 billion yen
	Stocks (P/L)	3 trillion yen	10 yen appreciation	- 69 billion yen
Share prices	Stocks (P/L)		- 1,000 yen	- 218 billion yen

Note 1: The balance in the "Interest rate/other securities (balance sheet)" row includes foreign currency-denominated bonds.

Note 2: "(Balance sheet)" and "(P/L)" indicate that the valuation profit/loss must be posted on the respective financial statements (balance sheet or P/L sheet).

## Steps taken to reduce risk

Maintaining confidence in postal savings is essential. The risks involved in operations can be divided into market, liquidity, systems, and administration risks. Each of these risks are recognized and evaluated, and the particularly important risks are selected for management. Proper management is undertaken depending on the nature of the risks.

We identify risk by using a risk evaluation sheet in the operations process, encouraging awareness of the causes of the risks and the management system. A risk map is used to measure the frequency with which a risk occurs and the extent of its impact so that "managed risks" can be selected. Management systems that go beyond the previous operations management are set up for these managed risks in order to reduce them.

### - Market Risk

The risk of loss of confidence due to improper management or management standards relating to market transactions (procurement, operation, and operation consignment) and ALM operations

### - ALM Risk

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

### - Credit Risk

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

### - Investment Consignment Risk

This risk is managed by using internal rating standards to set consignee standards, limits on investment estimates, the balance of shares at market price, and the maximum tracking error. In consignment operation (single operation specification cash trust: single specification)



#### - Liquidity Risk

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

#### - Systems Risk

The risk resulting from computer system failures or unauthorized use due to improper management or improper management standards for security, systems consignment, or systems planning, development, and operation of systems.

#### - Administration Risk

The risk resulting from improper management or improper management standards for administration work, contracts, and administration consignment.

### ■ 3. RISK MANAGEMENT IN POSTAL LIFE INSURANCE BUSINESS

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

While the management environment for postal life insurance is changing a great deal, appropriate risk management has become even more important to maintain sound business management in the future and so that customers may use Kampo products and services with confidence.

#### Risk Management System for Postal Life Insurance

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

The postal life insurance business identifies its business risks in a exhaustive way and manages these risks based on their degree of importance.

- The Business Affairs Division is divided into the Service Division (level one), which pursues profits, and the Business Planning Division (level two), which provides support and management, and these two divisions work together to manage risk through a system of checks and balances.
- The Integrated Risk Management Division (level three) was established to be independent of the Business Affairs Division and manage risk in a unified and comprehensive manner.

This multi-layered risk management system ensures that business management remains sound.

A Postal Life Insurance Risk Management Committee was established under the Financial Business Headquarters to deliberate important issues relating to risk management.

## Efforts to Address Various Types of Risk

### - Insurance Underwriting Risk

Insurance underwriting risk is the risk that profits will deteriorate due to deviation from rates of insured accident occurrence, investment returns and business expenses at the time of setting the insurance premiums.

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

In the Postal Life Insurance Service, risks are measured based on the determination and analysis of conditions including the insured accident occurrence rate, market trends and business expenses. These risks are managed through the proper setting of insurance premiums and maintenance of the necessary reserve funds.

### - Investment Risk

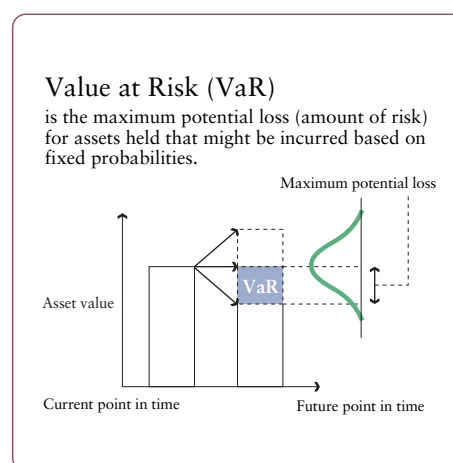
Investment risk is the risk of fluctuations in the value of investment returns and assets (including off-balance sheet assets) due to changes in the market environment.

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

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

### - Market Risk

Market risk is the risk of fluctuations in asset valuation amounts or investment returns due to changes in interest rates, stock prices and foreign exchange rates. Since life insurance contracts last for a long period of time, the Postal Life Insurance Service invests primarily in bonds and loans generating stable interest revenue for long-term stable fund management. We also attempt to reduce market risk by diversifying our investments and investing in the stock market, which has different price volatility than bond markets. When managing market risk, we use Value at Risk (VaR) to manage market risk from different investments such as stocks and bonds using standardized indices, and ensure that market risk is confined within certain limits.



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

(End of March 2004)

Factor	Asset	Balance	Sensitivity	
Interest rates	Bonds held until maturity	21 trillion yen	+0.1%	[-89 billion yen]
	Bonds to cover premium reserves	49 trillion yen	+0.1%	[-274 billion yen]
	Other (balance sheet)	11 trillion yen	+0.1%	-46 billion yen
Foreign exchange	Foreign currency-denominated bonds (balance sheet)	3 trillion yen	10 yen appreciation	-332 billion yen
	Foreign stocks (balance sheet)	1 trillion yen	10 yen appreciation	-128 billion yen
Share prices	Domestic stocks (balance sheet)	5 trillion yen	-1,000 yen	-468 billion yen

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

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

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

Note 4: Sensitivity in the "Share prices and domestic stocks" row reflects the loss posted when the Nikkei Average falls below 1,000 yen.

### - Credit Risk

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

We use ratings given by ratings agencies and set standards at which customers would not qualify for credit. We also set limits for the amount of credit allowed for each debtor. We remain aware of the risk represented by debtors, adding up each individual company's bonds, deposits and stocks so that credit risk is not concentrated on a particular company and Japan Post is not at risk of huge losses.

### - Market Liquidity Risk

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

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

### - Fund Management Risk

Fund management risk is the risk of shortages of available cash and sudden deterioration in financing due to increases in policy cancellations.

Kampo sets reserve amounts for incoming and outgoing insurance premiums and claims and incoming and outgoing investment funds. Securing these reserves ensures an appropriate response to fund management risk.

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

#### - **Administrative Risk**

Administrative risk is the risk of incurring loss due to accidents, unlawful actions, or negligence in the performance of work by executives or employees.

Kampo ascertains accidents that have occurred in the past or that could happen, and establishes office regulations to ensure appropriate business transactions, and also strives to raise awareness and educate employees. Also, the Business Affairs Division examines the stance on administrative risk management and has established a division to conduct surveys as necessary in the event of an accident. This system of checks and balances is intended to reduce risks.

#### - **Systems Risk**

Systems risk is the risk of incurring loss due to computer system malfunctions or hacking.

Postal Life Insurance Services has set up two main computer centers with electronic computing systems for life insurance. The construction of this reciprocal back-up system enables Japan Post to deal with risks when the system is down. We have also formulated a manual with guidelines on responding to severe interruptions and have established a system enabling a quick response. Also, we have devised procedures for implementing information security, carrying out a variety of security measures and ensuring thorough protection of information assets.

## ■ 4. RISK MANAGEMENT IN POSTAL BUSINESS

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

All divisions and departments within the Postal Business Headquarters ascertain the risks involved in the operations they are in charge of, evaluate these risks, and then devise necessary countermeasures based on their assessment. The risk management supervisor requests reports on risk management conditions in all divisions and departments regularly, and as needed to ensure the appropriateness and effectiveness of risk management. After examining the results, the supervisor provides guidance on improvements as necessary.

## 3 Skill Development for Employees

### ■ POSTAL SERVICES

#### Implementation of Program to Improve Customer Interaction and Manners

We developed the “Program to Improve Customer Reception and Manners” in fiscal 2004 to put our customer satisfaction service into practice.

Specifically, “reception leaders” who have received special training in customer reception and manners regularly guide employees in morning meetings at post offices using “reception manuals” and “reception videos.”

Post offices serving as the central site for their region also offer training by an expert instructor from outside.

## ■ POSTAL SAVINGS

### Developing Human Resources with Consulting Skills

In order to meet customer needs relating to asset investment and life stage planning from the standpoint of the customer, Postal Savings is striving to develop the consulting skills of its employees.

For example, Japan Post has established its own internal Financial Advisor (FA) correspondence courses and certification examinations available to all employees handling postal savings, in order to increase the level of knowledge for finances, annuities, and taxes.

In addition, Japan Post is striving to develop services that increase customer satisfaction, by further improving the consulting skills of its employees, including training center sessions for those who pass the top level of the certification examination.

## ■ POSTAL LIFE INSURANCE

### Training

To provide the excellent service that is expected of the state-run Postal Life Insurance Service, it is, of course, necessary to provide personnel with the specialized knowledge and skills necessary for them to carry out their duties. The overriding objective of the training, however, is to develop people who as employees of the national government are worthy of the trust of citizens.

Training for employees working in the Postal Life Insurance Service includes on-the-job training, training at the ten training facilities located nationwide, and training organized by the regional offices and other offices. As an example, training for employees working with postal life insurance for the first time includes basic job training at a training facility and on-the-job training at the Post Office where they work.

### Enhancing Life Consultation Skills

With sweeping financial deregulation already in place, it is essential that employees working in the Postal Life Insurance Service have the ability to advise customers on financial and insurance products, capital accumulation, taxes, inheritance and other such issues. Furthermore, in addition to this type of financial knowledge, employees must have expertise in life planning and risk management, so that they can also act as life consultants and answer customer questions on family life planning and risk management.

Therefore, the Postal Life Insurance Service, aiming to provide life consultants for families, offers correspondence classes, lectures, and certification examinations to help postal life insurance employees improve their life consulting skills.

By offering such training and education, the Postal Life Insurance Service is working to help employees acquire the ability to assist customers with life planning, risk management, and planning for financial security, as well as increase employee knowledge of issues related to financial deregulation, interest rates, various types of financial products, the public pension system, taxes (income taxes, inheritance taxes, gift taxes, etc.) and corporate entities.

## **3** Improving Management Efficiency

### **1** Cutting Expenses

#### ■ POSTAL SERVICES

#### Reduction of personnel expenses

Most of the postal business must rely on manpower due to the characteristics of the business. Personnel expenses account for more than 70 percent of sales expenses. Therefore, we tackle the reduction of personnel expenses to manage our business efficiently.

In fiscal 2003, we reduced 6,720 persons by mechanizing mail handling and utilizing part-time staff.

Further, in fiscal 2004, we will try to control personnel expenses by improving the productivity of mail handling.

#### Reduction of expenses

As for expenses (sales expenses excluding personnel expenses), we are reducing costs by expanding competitive contracts and reviewing the content of contracts.

In fiscal 2003, we reduced about 6 billion yen of transport commission expenses within the fiscal amount and tried to reduce various supply expenses.

In fiscal 2004, we will make an investment to strengthen competitiveness and face an increase of a new tax burden (about 13 billion yen). We continue to make an effort to reduce all expenses.

## ■ POSTAL SAVINGS

Postal Savings is striving to reduce costs even further and at the same time maintain sound management so that customers can continue to be provided with even better financial services.

Capital procurement cost amounting to 2,498.8 billion yen made up the bulk of Postal Savings expense which is composed of the interest payable on postal savings (1,298 billion yen) and the interest on borrowings (1,197.5 billion yen).

Other major expenses include operating costs (personnel costs, non-personnel costs, etc.). We have reduced operating costs to 1,052.6 billion yen (compared to 1,107.5 billion yen in fiscal 2002, see note) through Japan Post's overall cuts in personnel and non-personnel costs, reductions in external personnel, and an approximate 1,600 cut in personnel due to the reorganization of the Postal Savings Operations Centers.

In fiscal 2004, we will continue to reduce the numbers of external employees and increase automated office work to improve the efficiency of the postal savings business.

Note: This is the sum derived from deposit operations in the fiscal 2002 financial statements for Postal Savings Special Accounting and Postal Services Special Accounting.

## ■ POSTAL LIFE INSURANCE

### Reductions in Personnel Expenses

Postal life insurance reduced personnel by approximately 450 in fiscal 2003 by improving the efficiency of bill collection, advance provisions (introduction of part-time staff) following the reorganization of the Postal Life Insurance Operations Center and the closure of policyholder welfare facilities. Personnel expenses were also held down by revising wages and reducing bonuses.

In fiscal 2004, we will implement measures to raise the efficiency of bill collection, internal administration at post offices and operations at Postal Life Insurance Operations Centers in order to improve the efficiency of postal life insurance.

### Reductions in Non-personnel Costs

In fiscal 2003, we reduced the personnel expenses (expenditures) of Postal life insurance operations by 30.6 billion yen (17.8%) relative to the fiscal 2003 target, to 141.6 billion yen.

- (1) To reduce procurement costs, when implementing measures involving large expenditures the Investment Committee and Procurement Committee discusses investment results and procurement methods to ensure more effective and efficient use of funds. We also strive to hold down non-personnel costs by reviewing the use of funds based on cost effectiveness.
- (2) From January 2004, we discontinued the practice of sending notifications of insurance premiums receipts to all policyholders and started to send them only to those who wish them, which reduced postal costs.
- (3) We reduced the non-personnel expenses related to the policyholder welfare facilities by expanding outsourcing and closing unprofitable facilities.

## (Reference) Reductions in non-personnel expenses

- (1) Fiscal 2003 non-personnel expenses (expenditures) 141.6 billion yen
- (2) Fiscal 2001 non-personnel expenses (financial statement amount, corrected amount) 191.2 billion yen
- (3) Comparison of fiscal 2003 and fiscal 2001: (2) – (1) 49.6 billion yen

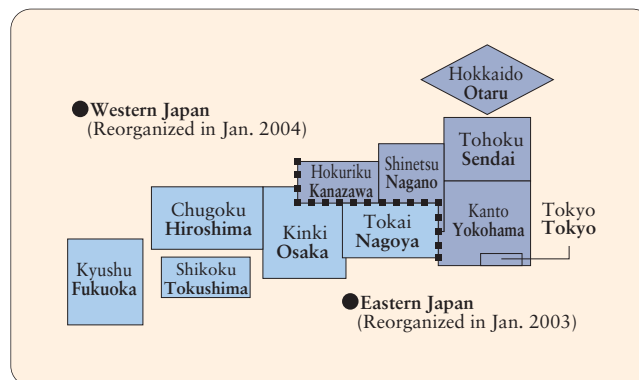
Note 1: Non-personnel expenses is the sum excluding interest payments, insurance claims payments, personnel expenses, taxes and dues (consumption taxes, tax payments) and compensation for losses on the sale of Japanese government bonds and others from the expenditures listed in the fiscal 2003 management plan budget.

Note 2: To enable comparison between fiscal 2001 and fiscal 2003 figures, fiscal 2001 non-personnel expenses (financial statements, corrected amount) is the amount relating to “non-personnel expenses” for postal life insurance operations in the expenditures for Postal Service Special Accounting, excluding wages paid to part-time workers, taxes and dues, retirement pay and retirement allowance paid to the unemployed, and including the non-personnel expenses relating to the Kampo Welfare Organization.

## 2 Restructuring of Postal Savings Operations Centers

Postal Savings services introduced a new online system in January 2003. The introduction of this system resulted in the automation of a major portion of operations at Postal Savings Operations Centers, with a significant reduction in operational volume. Accordingly, the 28 Postal Savings Operations Centers nationwide were restructured into 11 centers.

- Western Japan: 15 locations → 6 locations
- Eastern Japan: 13 locations → 5 locations



## 3 Reorganization of Postal Life Insurance Operations Centers

To further improve the efficiency of the Postal Life Insurance Service, Postal Life Insurance Operations Centers are being reorganized by integrating the previous seven centers into five.

In fiscal 2003, in April, operations assigned to the Sapporo Postal Life Insurance Operations Center's district were moved to the Sendai Postal Life Insurance Operations Center, with the exception of the Central Hokkaido region, and among the operations assigned to the Takamatsu Postal Life Insurance Operations Center's district, operations in the Ehime Prefecture and Kochi Prefecture regions were moved to the Kyoto Postal Life Insurance Operations Center.

To maintain the quality of customer service, a contact point will be set up in the newly integrated centers to provide post office support services.



- Sapporo Postal Life Insurance Operations Center to be integrated into the Sendai Postal Life Insurance Operations Center
  - Takamatsu Postal Life Insurance Operations Center to be integrated into the Kyoto Postal Life Insurance Operations Center
- (Operations are to be transferred in two stages, in fiscal 2003 and fiscal 2005, with the reorganization completed in fiscal 2005)

## 4 Relationships with Local Communities

### 1 Furusato (Hometown) Parcels

Furusato Parcel service allows the public to order local specialties from around the country and have them delivered directly via Yu-Pack (parcel post). Product catalogs and leaflets are available at post offices. This service, which makes it easy for people to enjoy local specialties in the comfort of their own homes, has become popular.



### 2 Furusato (Hometown) Product Exhibitions



Post offices team up with local governments to host Furusato Product Exhibitions. Held at major post offices in urban areas, these events display and sell various local specialties and provide sightseeing information. Postal products with local flavor-regional postage stamps, picture postcards (produced by the Postal Services Agency), Furusato Parcels and attractive letter-writing sets are also sold.

### 3 Submitting Requests for Copies of Residence Cards and Other Documents

#### Copies of Residence Cards and Other Documents

The postal system offers a service that allows the public to apply for copies of residence cards as well as certified copies and extracts of official registers without having to make a request in person at a municipal government office.

A copy of a resident card can be immediately issued at the counter of a post office.

#### Book Post of Government Publications

This service delivers booklets published by the government to customers who applied for and purchased them through registered mail, postal transfer, or postal money order. A list of these government publications, called the “List of Publications Issued by the Printing Bureau of the Ministry of Finance,” can be found in post offices.

### 4 Duties Entrusted by Local Governments

#### RESPONSIBILITIES FROM LOCAL GOVERNMENTS

Post office counters are now involved in issuing identification, such as copying certificates of residence, and also sell bus coupon tickets. External postal employees also provide information on the illegal disposal of waste.

If the municipality should so request, the post office consults with the municipality and undertakes these responsibilities depending on the post office’s capacity.

Number of municipalities and post offices in which services are offered as of the end of March 2004

Number	Services	Municipalities	Post offices
1	Clerical work for issuing certificates	88	315
2	Counter services on consignment	157	1,309
(1)	Sales on consignment (Sales of public bus coupon tickets, bus passes, train passes, etc.)	154	912
(2)	Issuance on consignment (Issue of bus passes, etc.)	3	456
(3)	Applications for use	1	2
3	Clerical work for replenishing consumables for automatic issuing machines	1	1
4	Services to be performed by using door-to-door postmen	26	37
(1)	Checking of living conditions of aged people	21	31
(2)	Ordering of daily necessities, receiving and delivering books to be lent	0	0
(3)	Provision of information on illegal dumping of waste	6	9
Total		259	1,634

Note: The figures in “2 Counter services on consignment,” and “4 Services to be performed by using door-to-door postmen” exclude any duplication.

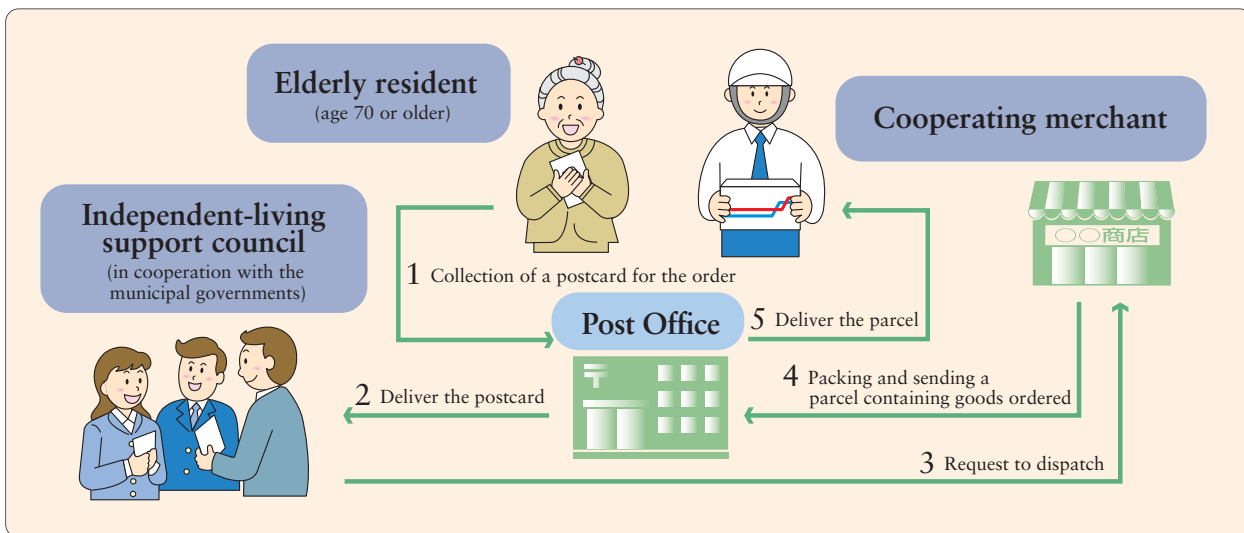
## 5 Himawari Services for the Housebound Elderly

### HIMAWARI SERVICES FOR THE HOUSEBOUND ELDERLY

The Postal Service has been promoting a support system called Himawari Services that provides assistance related to the basic daily needs of elderly housebound individuals. The objective of this program, which is a joint effort undertaken by post offices, local governments and such organizations as social-welfare councils, is to create a society in which it is easier for elderly residents of sparsely populated areas to continue living at home. (This system's name is a play on two words that are both pronounced "himawari" in Japanese: it can mean "sunflower," which has a cheerful image.)

Under this system, postmen provide elderly people with a few words of encouragement and pick up outgoing mail on their delivery routes. In addition, postmen collect orders for daily necessities and then deliver these items. Periodic distribution of cheerful messages from schoolchildren and other well-wishers is another component of Himawari Services. This system is in principle designed for individuals or couples who are at least 70 years of age and living on their own. Launched in August 1997, the Himawari Services program was available in 210 municipalities as of March 31, 2004.

### COLLECTION AND DELIVERY OF ORDERS FOR DAILY NECESSITIES



## MUNICIPAL GOVERNMENTS IMPLEMENTING THIS SERVICE

As of March 31, 2004

Branch	Prefecture	Municipal Government
Hokkaido (12)	Hokkaido	Churui-mura, Shibeche-cho, Kuromatsunai-cho, Asahi-cho, Otaki-mura, Hamamasu-mura, Minamikayabe-cho, Horokanai-cho, Numatacho, Okushiri-cho, Tomari-mura, Bifuka-cho
Tohoku (25)	Miyagi	Ichihassama-cho
	Akita	Futatsui-machi, Minehama-mura, Kosaka-machi, Hachimori-machi, Omonogawa-machi, Ani-machi
	Fukushima	Ogoe-machi, Atsushiokano-mura, Tajima-machi, Aizu Takada-machi
	Aomori	Tago-machi, Minmaya-mura, Ikarigaseki-mura, Shiura-mura, Tairadate-mura, Kodomari-mura, Towadako-machi
	Iwate	Hanaizumi-machi, Yamagata-mura, Daito-cho, Kuzumaki-machi, Fujisawa-cho
	Yamagata	Hirata-machi, Atsumi-machi
Kanto (15)	Saitama	Ryokami-mura, Otaki-mura, Kamiizumi-mura
	Ibaraki	Satomi-mura, Nanakai-mura, Yamagata-machi, Ogawa-mura
	Gunma	Kurabuchi-mura, Onogami-mura, Tone-mura
	Chiba	Wada-machi, Shirahama-machi, Tomiura-machi
	Tochigi	Ashio-machi, Bato-machi
Minami-kanto (6)	Yamanashi	Mitomi-mura, Hayakawa-cho, Ashigawa-mura, Kamikuishikimura, Yamato-mura, tabayama-mura
Tokyo (2)	Tokyo	Aogashima-mura, Miyake-mura
Shinetsu (20)	Niigata	Matsunoyama-machi, Yasuzuka-machi, No-machi, Kawaguchi-machi, Irihirose-mura, Yamakoshi-mura, Tochio-shi, Sumon-mura Sado-shi
	Nagano	Wada-mura, Ikusaka-mura, Narakawa-mura, Nakagawa-mura, Kami-mura, Sakae-mura, Yasaka-mura, Tenryu-mura, Koumimachi, Agematsu-machi, Hase-mura
Hokuriku (7)	Toyama	Taira-mura
	Ishikawa	Nakajima-machi, Notojima-machi, Monzen-machi, Yanagida-mura
	Fukui	Natasho-mura, Kono-mura
Tokai (23)	Gifu	Takane-mura, Sakauchi-mura, Horado-mura, Kasuga-mura, Kaminoho-mura, Itadori-mura, Nyukawa-mura, Kamitakara-mura, Kuze-mura, Fujihashi-mura
	Shizuoka	Nakakawane-cho, Tatsuyama-mura, Honkawane-cho, Yui-cho, Sakuma-cho
	Aichi	Shimoyama-mura, Asahi-cho, Asuke-cho
	Mie	Nansei-cho, Manto-cho, Kiwa-cho, Itaka-cho, Miyagawa-mura

Branch	Prefecture	Municipal Government
Kinki (17)	Shiga	Kutsuki-mura
	Kyoto	Miyama-cho
	Hyogo	Onsen-cho, Takeno-cho, Muraoka-cho, Chikusa-cho
	Nara	Soni-mura, Nishiyoshino-mura, Muro-mura
	Wakayama	Miyama-mura, Susami-cho, Kitayama-mura, Hongu-cho, Hanazono-mura, Kanaya-cho, Shimizu-cho, Hiokigawa-cho
Chugoku (14)	Tottori	Chizu-cho, Kofu-cho
	Shimane	Sada-cho, Hikimi-cho, Iwami-cho, Kanagi-cho, Tonbara-cho
	Okayama	Bisei-cho, Chuo-cho, Katsuyama-cho, Sakuto-cho
	Hiroshima	Oasa-cho, Sakugi-son
	Yamaguchi	Toyota-cho
Shikoku (20)	Kochi	Hongawa-mura, Taisho-cho, Okawa-mura, Towason, Mihara-mura, Niyodo-mura, Monobe-son
	Tokushima	Kamikatsu-cho, Koyadaira-son, Yuki-cho, Sanagochi-son, Kisawa-son
	Ehime	Uchiumi-mura, Sekizen-mura, Omogo-mura, Mikawa-mura, Hijikawa-cho, Seto-cho, Nakayama-cho, Shirokawa-cho
Kyushu (46)	Fukuoka	Joyo-machi, Kurogi-machi, Yabe-mura, Hoshino-mura, Shonai-machi
	Saga	Sefuri-mura, Ariake-cho, Taku-shi, Yobuko-cho
	Nagasaki	Narao-cho, Kitaarima-cho, Minamiarima-cho, Sakito-cho, Chijiwa-cho, Shinuonome-cho
	Kumamoto	Mizukami-mura, Tomochi-machi, Chuo-machi, Ubuyama-mura, Amakusa-machi, Itsuwa-machi, Oguni-machi, Kuma-mura, Sumoto-machi
	Oita	Musashi-machi, Yamakuni-machi, Takeda-shi, Maetsue-mura, Bungotakada-shi, Chitose-mura, Ajimu-machi
	Miyazaki	Aya-cho, Gokase-cho, Togo-cho
	Kagoshima	Fukuyama-cho, Bonotsu-cho, Uken-son, Kasasa-cho, Oura-cho, Tsuruda-cho, Tatsugo-cho, Azuma-cho, Kamikoshiki-mura, Kirishima-cho, Osaki-cho, Tokunoshima-cho
Okinawa (3)	Okinawa	Ogimi-son, Yonaguni-cho, Tarama-son
Total		210

## 6 Conclusion of Disaster Management Agreements

As a designated public corporation in The Disaster Countermeasures Act, Japan Post cooperates with prefectural and city governments as well as local authorities on disaster measures. For this purpose, the Japan Post Disaster Management Operations Plan establishes cooperative relationships between Japan Post and local governments and calls for close reciprocal communication and cooperation.

Specifically, post offices have signed disaster management agreements with local governments (as of the end of fiscal 2003, agreements had been concluded with 2,480 municipalities), agreeing to request reciprocal cooperation as needed in the state of emergency and to devise measures to speed-up recovery.

The Primary Areas of Mutual Cooperation are as Follows:

- (1) Special office arrangements in the event of a disaster for Japan Post business
- (2) Reciprocal provision of sites for evacuation, commodity storage and postal operations
- (3) Reciprocal provision of evacuation sites for residents and sharing of information on extent of damage
- (4) Installation of mail boxes at evacuation sites

## 5 Environmental Efforts

Japan Post is a large organization with a nationwide network of post offices. Its very size means that its activities have significant environmental burdens.

When Japan Post was founded, it established The Japan Post Declaration on the Environment (See Note), representing Japan Post's commitment to run its operations in an environmentally friendly way. An Environmental Committee, made up of seven executives involved with environmental issues, was set up. Its role is to examine and then put into practice Japan Post's plans and specific measures on the environment, thus translating The Japan Post Declaration on the Environment's principles and policies into reality.

Note: Please refer to page 43 for the more information on The Japan Post Declaration on the Environment.

### 1 The Japan Post's Eco Plan (The Japan Post's Medium-Term Plan for the Environment)

The Japan Post's Eco Plan (the formal name is "The Japan Post's Medium-Term Plan for the Environment") is a medium-term plan for the three-year period from fiscal 2004 through fiscal 2006 and incorporates targets and activities to achieve its environmental measures. The Fiscal 2004 Eco Action Plan (formally known as "Fiscal 2004 Environmental Action Plan") is a fiscal plan that outlines targets and specific measures for each fiscal year to support efforts to achieve The Japan Post's Eco Plan. An outline of these plans is provided in the table below:

#### REDUCTION IN ENVIRONMENTAL BURDENS (OVERALL)

Outline of The Japan Post's Eco Plan (target period: fiscal 2004-2006)		Outline of The Fiscal 2004 Eco Action Plan
Area	Targets (points to be achieved over three years)	Targets to achieve
(Overall)	Cut CO <sub>2</sub> emissions in fiscal 2006 by 2.2% compared to fiscal 2002 levels	Cut CO <sub>2</sub> emissions by 1.0% compared to fiscal 2002 levels

## EFFORTS TO DECREASE ENVIRONMENTAL BURDENS

Outline of The Japan Post's Eco Plan (target period: fiscal 2004-2006)		Outline of The Fiscal 2004 Eco Action Plan
Area	Targets (points to be achieved over three years)	Targets to achieve
1. Energy and resource conservation	<b>Conservation of energy, such as electricity and gas, at facilities</b> <ul style="list-style-type: none"> <li>Cut electricity consumption by 6% (relative to fiscal 2002 levels [same below])</li> <li>Reduce fuel consumption by 8%</li> </ul>	<ul style="list-style-type: none"> <li>Cut electricity consumption by 3% (relative to fiscal 2002 levels [same below])</li> <li>Reduce fuel consumption by 4%</li> <li>Assess energy conservation at 300 sites</li> </ul>
	<b>Conserve resources such as paper and water</b> <ul style="list-style-type: none"> <li>Cut the use of copy paper (per employee) by 25%</li> <li>Reduce use of waterworks by 5%</li> </ul>	
2. Upgrading post offices * Please refer to P.72 "Creating Eco Post Offices" in "Topics on Environmental Measures"	<b>Set up post offices that are environmentally friendly (Eco Post Office) (CO2 emissions per floor area)</b> <ul style="list-style-type: none"> <li>Cut emissions by 13% when building new post offices</li> <li>Cut emissions by 6% when making large renovations</li> </ul>	<b>(CO2 emissions per floor area)</b> <ul style="list-style-type: none"> <li>Cut emissions by 13% when building new post offices</li> <li>Cut emissions by 6% when making large renovations</li> </ul>
3. Commodity procurement	<b>Targets for specified procurement goods referred to in the Law on Promoting Green Purchasing</b> <ul style="list-style-type: none"> <li>100% target for all commodities</li> <li>* Law concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities</li> </ul>	<b>Targets for specified procurement goods</b> <ul style="list-style-type: none"> <li>90% target for automobiles (excluding vehicles for general official use) and printing</li> <li>100% for all other commodities</li> </ul>
4. Logistics	<b>Encouragement of environment-friendly distribution by introducing low-emission vehicles and shifting to a distribution system</b> <ul style="list-style-type: none"> <li>Reduce CO2 emissions by 4.1% for each ton of postal matter</li> <li>Cut total nitric oxide (NOx) emissions by 6.3% in light four-wheel vehicles owned by Japan Post</li> </ul>	<ul style="list-style-type: none"> <li>Plans to procure low-emission vehicles as specifications for vehicles other than light four-wheel vehicles (Excellent-Law Emission Vehicle ( )) <ul style="list-style-type: none"> <li>Increase: 1,874 vehicles upgrades: 519 vehicles</li> </ul> </li> <li>2-ton vehicles (diesel low-emission gas vehicles, conforming to environmental byelaws in Tokyo City, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture) <ul style="list-style-type: none"> <li>Upgrades: 33 vehicles</li> </ul> </li> </ul>
5. Reductions in waste matter	Promote the 3 Rs ("Recycle, Reuse and Reduce") and cut back on waste matter	Promote the 3 Rs
6. Social contributions made in environmental area * Please refer to P.72 "Post Office Activities" in "Topics on Environmental Measures"	Encourage environmental conservation activities in local communities	Encourage activities that contribute to the environment and the community

## FOUNDATION FOR PROMOTION OF ENVIRONMENTAL POLICIES

Overview of The Japan Post's Eco-Plan (target period: fiscal 2004-2006)		Overview of The Fiscal 2004 Eco Action Plan
Area	Targets (points to be achieved over three years)	Targets to achieve
1. Promotional system	Build and operate an environmental management system to autonomously deal with environmental measures on a continuous basis <ul style="list-style-type: none"> <li>Attain ISO14001 credential at model post offices (Noda Post Office in Chiba prefecture, Hirakata-Higashi Post Office in Osaka prefecture)</li> <li>Prepare manual based on environmental management system created at model post offices and expand to all post offices</li> </ul>	<ul style="list-style-type: none"> <li>Attain ISO14001 credential at model post offices (Noda Post Office in Chiba prefecture, Hirakata-Higashi Post Office in Osaka prefecture) within the second quarter of the fiscal year</li> <li>Within the fiscal year, prepare manual for Japan Post's own system based on environmental management system created at model post offices</li> </ul>
2. Education and training	Promotion of training in environmental matters for employees and heightened awareness of environmental matters in the workplace	<ul style="list-style-type: none"> <li>Addition of environmental education to training topics</li> <li>Use Japan Post's "Environmental Grand Prize" to pay tribute to post offices and introduce especially laudatory examples</li> <li>Celebrate environment month events (June)</li> </ul>

## 2 Topics on Environmental Measures

### ■ USE OF RECYCLED AND NON-WOOD PAPER FOR POSTCARDS

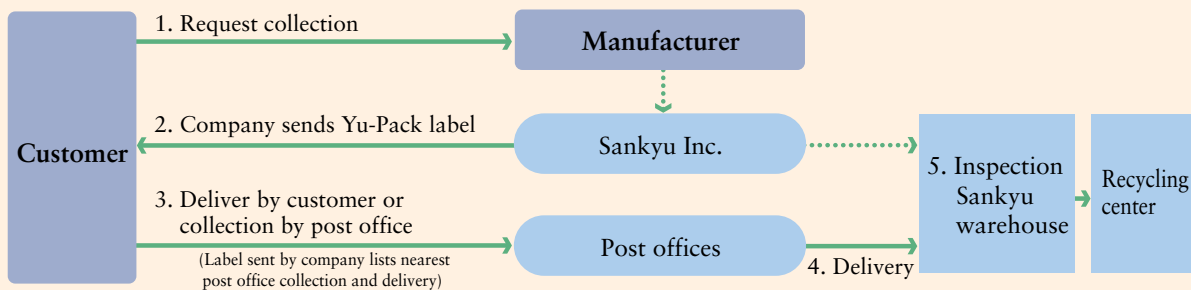
To help conserve forest resources and preserve the global environment, Japan Post has issued postcards made of recycled paper since 1993 for traditional summer greeting cards, since 1996 for New Years' cards, and since 2003 for conventional postcards and reply-paid postcards.

### ■ YU-PACK PROVIDED TO RETURN USED HOME COMPUTERS TO MANUFACTURERS

The Law on the Promotion of the Rational Use of Resources requires that manufacturers collect used home computers for recycling. Yu-Pack has been used for this collection since October 1, 2003.

In fiscal 2003, roughly 79,300 computers were collected for recycling (according to Japan Electronics and Information Technology Industries Association [JEITA]).

#### Process of system for collection of home computers



### ■ REPORTING ON ILLEGAL DUMPING OF WASTE MATERIALS

Japan Post employees working outside of the office regularly inspect (on foot) monitoring sites designated by local governments and then inform the governments of any objects that have been illegally abandoned (a service for which Japan Post charges a fee).

The cities, towns and villages using this service are listed below.

As the end of fiscal 2003

Ohno-mura (Iwate Prefecture), Kaisei-machi (Kanagawa Prefecture), Mimasaka-cho (Okayama Prefecture), Nishiki-cho (Yamaguchi Prefecture), Kamoto-machi (Kumamoto Prefecture), Kasari-cho (Kagoshima Prefecture)

## CREATING OF ECO POST OFFICES

In Japan, about 1/3 of all global warming gases emitted into the atmosphere come from buildings. Accordingly, when Japan Post builds new post offices, expands existing post offices or carries out significant renovations, it will create Eco Post Offices (environment-friendly post offices) with environment-friendly technology and methods.

The Odawara-Higashi Post Office (in Odawara City, Kanagawa Prefecture), completed in March 2001, was an experimental office to become an Eco Post Office and adopted the technologies and methods listed below. Three years after completion, this post office has cut CO<sub>2</sub> emissions an average of about 45% compared to post offices of an equivalent size.

1. Building was made extremely air tight and well insulated
2. System using high windows for ventilation and fresh air at night
3. Ice thermal storage system and high-efficiency illumination and illumination control
4. Solar energy generation system
5. Planting of greenery to roof and walls



Solar energy generation panel on roof of Odawara-Higashi Post Office



Odawara-Higashi Post Office  
External view

## POST OFFICE ACTIVITIES

Post offices across Japan strive to conserve energy and resources to reduce environmental impact. They also volunteer to serve as collection sites for garbage in their community, and Japan Post employees often volunteer in clean-up and tree planting activities.



Japan Post employees and others volunteer to clean up local rivers, coasts, roads and parks (This photograph is entitled "PEP-Shimanto River: Home is Best," June 15, 2003. About 290 local post office employees participated.)



The post office participates in local recycling efforts by distributing boxes for the collection of milk cartons at the post office. (This photograph was taken in Kumamoto City; the program started in December 1996 and is currently offered at 56 post offices in the city.)



## 6

## Social Contribution Activities

## 1 Social Welfare Contributions

## ■ IMPLEMENTING POSTAL SERVICES THAT HELP PROMOTE SOCIAL WELFARE

## Postage Discounts for the Disabled

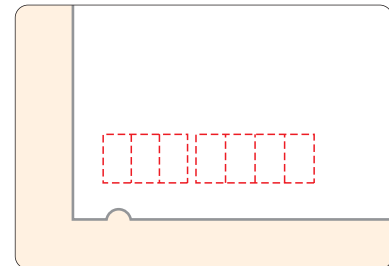
The Postal Service strives to improve the welfare of the disabled by reducing postage rates in the following manner:

1. Postage is free for letter-post items that contain only Braille materials, and for letter-post items that contain Braille materials or audio recordings for the visually impaired and that are mailed between the visually impaired and institutions designated by the Japan Post.
2. Lower postage rates are available in the case of third class items that are periodicals published by organizations serving the physically and mentally challenged, parcels mailed between libraries and individuals with a severe physical or mental disability, parcels containing such items as oversized Braille books, and parcels containing videotapes mailed between the hearing impaired and institutions designated by the Japan Post.

## Postcards for the Visually Impaired

A selection of standard postcards, and New Year's and midsummer greeting postcards are issued with small semicircular cuts at the lower left-hand corner so that the visually impaired can distinguish a card's front, back, top and bottom when they use it for correspondence with a Braille printer.

The Postal Service issues "Bluebird" postcards to help promote the welfare of people with physical or mental disabilities. These postcards, which feature a small semicircular notch in the lower left-hand corner and come enclosed in original envelopes with a bluebird design, are available on request--at no charge and in quantities of 20 per person--to people with severe physical (grade 1 or 2) or mental disabilities (people with an "A" (or grade 1 or 2) on their Mental Retardation Certificate) in April and May every year.



## Braille Labeling and Non-Delivery Notification Cards

To enable the visually impaired to more easily use postal services, mailboxes feature Braille indicators of such information as collection times. Likewise, Braille labeling is affixed to the front panel of postage stamp and postcard vending machines, for example, the location of the coin slot, the items available, and the quantities in which they can be purchased.

Additionally, Braille non-delivery notification cards are used to inform visually impaired addressees when an unsuccessful attempt has been made to deliver mail in their absence. These cards provide the name and phone number of the post office where the item is being held.

## ■ EXEMPTION FROM POSTAGE FOR REGISTERED MAIL CONTAINING CHARITABLE DONATIONS

The Postal Service exempts the postage fee (including special postage fees) for registered regular mail containing contributions to charitable organizations, such as community fund-raising associations, federations of community fund-raising associations and the Japan Red Cross.

## ■ NEW YEAR'S LOTTERY POSTCARDS AND STAMPS WITH A DONATION

### Issuance of New Year's Greeting Postcards and Stamps with New Year's Gifts and Charity Donations

435 million New Year's greeting postcards with lucky New Year's gifts will be issued for the 2004 New Year, with a portion of sales to go to charity. (A total of 4,012.8 million non-charity New Year's greeting postcards are issued separately.) In addition, 15 million 53-yen (fixed price) and 3.5 million 83-yen (fixed price) New Year's postage stamps with New Year's gifts and charity donations will be issued for the 2004 New Year.

### Allocation of Charity Money Raised Through Sales of New Year's Greeting Postcards and Postage Stamps Featuring Charity Donations

Money raised through sales of New Year's greeting postcards and postage stamps featuring charity donations is donated to organizations involved in a variety of socially conscious projects (ten types in all), such as those that promote social welfare or social and educational programs designed to encourage the healthy development of young people. Donations collected through the sale of New Year's greeting postcards and postage stamps with charity donations for the 2004 New Year (around 1,083 million yen) were allocated to 340 separate organizations.

#### Allocation of Contributions

Unit: group, thousand yen

Organizational objective(s)	No. of groups	Amount allocated
Promotion of social welfare	291	834,688
Aid for victims of storms, floods, earthquakes and other disasters; prevention of damage from such disasters	1	1,800
Scientific research, treatment and/or prevention of cancer, tuberculosis, polio and other particular diseases	25	140,822
Treatment and other aid for atomic bomb victims	2	11,463
First aid and other life-saving for victims of traffic accidents and drownings; prevention of such incidents	2	15,138
Preservation of cultural assets	2	6,198
Social training to foster the healthy development of young people	10	44,291
Promotion of sports for health maintenance	1	5,292
Support for foreign students and trainees from developing countries	1	8,996
Projects aimed at conserving the natural environment	5	14,517
Total	340	1,083,205

Note: Denotes environmental preservation regarding observed environmental changes that occur extensively and on a large scale not only throughout Japan but abroad as well.

## NEW WELFARE TIME SAVINGS

The New Welfare Time Savings is a one-year time deposit designed to reduce financial burdens for those with disabilities or surviving family members under the current extremely low-level interest rates.

The new product replaced the Welfare Time Savings that was provided until February 28, 2002 and became available starting March 1, 2002. It will be offered until February 28, 2005.

Item	Description
Depositor	Beneficiaries of the following pension plans and allowances -Basic disability's pension and survivors' basic pension -Disability welfare pension and disability mutual aid pension -Survivors' employees' pension and survivors' mutual aid pension -Child rearing allowances and atomic bomb survivors' allowances -Disability and survivors', benefits and relief pension based on Public Servant's Pension Law
Period	Until Feb. 28, 2005
Deposit ceiling	¥3 million
Interest rate	0.5% higher than Time Savings with a maturity period of one year (* Additional interest rates from Mar. 1, 2004 dropped from 1.0% to 0.5%)

### Current Status of New Welfare Time Savings

(April 2003 to March 2004)

Number of accounts	1,347,000
Amount of deposits	2,416.9 billion yen

## NURSING CARE TIME SAVINGS

Worries about nursing care for the elderly who are bedridden or who suffer from senility are growing as the population rapidly ages. Reductions in the interest rate charged on Yu-Yu Loans have now become available, along with preferential interest rates for Time Savings for individuals requiring nursing care.

### Nursing Care Time Savings (April 2003 to March 2004)

Number of accounts	2,853
Amount of deposits	4.89 billion yen

Note: Does not include the amount for automatic renewal

Item	Description	
Depositor	People requiring nursing care (including applicants meeting the requirements of Care-need Categories 4 and 5) provided they are taking advantage of public welfare services	
Additional interest	Type of savings	Time Savings (excluding Welfare Time Savings)
	Ceiling for total amount	¥5 million
	Amount by which interest rate is increased	20%, with a 0.2% minimum and a 1.0% maximum
Preferential interest on loans (Yu-Yu Loans)	1/2 of total Time Savings (0.5% for the general public → 0.25% for people requiring nursing care)	

## ■ PENSION DELIVERY SERVICE

Annuities and pensions are delivered to the homes of customers of advanced age or sickly customers who find it difficult to go to the post office.

*Pension Delivery Service (as of March 31, 2004)*

Number of users	2,929
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## ■ BRAILLE SERVICES

The following Braille services are available for people who have visual disabilities.

### *Postal Savings Account Statements Braille Service (3,384 users in fiscal 2003)*

Statements in Braille detailing each month's deposits, withdrawals, automatic public utility and other payments, and outstanding balances, are available at a frequency of up to twice a month.

### *Teigaku and Time Deposit Statements Braille Service (3,184 users in fiscal 2003)*

Statements are available in Braille detailing the contract details shown on a Teigaku or Time Deposit certificate, including the amount deposited and the length of the deposit. Advice on loans and repayments is also available in Braille.

### *Other Types of Advice Braille Service (1,221 users in fiscal 2003)*

Advice regarding Postal Savings maturities and loan repayment deadlines is also available in Braille.

### *Account Information Braille Service on Passbooks and Certificates*

The type of deposit, as indicated on savings passbooks and deposit certificates, is shown in Braille.

### *Braille Cash Cards Service for Postal Savings Accounts (3,231 issued till fiscal 2003)*

The account holder's name can be displayed in Braille on cash cards for postal savings accounts.

### *ATM's Braille Service (Automated Teller Machines)*

In addition to flat touch-sensitive panels, all types of machines are available with Braille operating keys, as well as Braille displays for the card insertion, cash deposit and cash withdrawal slots. In addition, the telephone handsets on ATM machines and earphones provided by the post office and attached to the ATM machines can provide voice notification of transaction and outstanding amounts, in addition to operating instructions. Customers can also use their own earphones.

In addition, customers who use Braille postal savings cash cards can confirm their deposit balances using Braille on certain types of Braille-equipped machines.

### *Braille Information Service for Various Products and Services*

Postal Savings publishes a Braille edition of its Postal Savings pamphlet to inform customers of its various products in Braille, as well as a largeprint edition of the same featuring enlarged lettering and diagrams. Both are available at post office counters and at Braille libraries.

## 2 Actions in Emergency Situations

### IMPLEMENTING POSTAL SERVICES THAT HELP PROMOTE SOCIAL WELFARE

When natural disasters and other emergencies occur, the Japan Post continues to undertake various measures as needed in stricken areas.

1. Free distribution of postcards and the like to disaster victims (up to five postcards and one letter cards to each household affected by the disaster)
2. Exemption from postage for standard mail items (including special domestic mail services) sent by disaster victims
3. Exemption from postage and fees for relief supplies and related mail items (cash registration envelopes and parcels) sent to the disaster area

In addition to the above services, the Postal Service provides a range of other humane services including the dispatch of mobile post offices (Space Post) to evacuation sites, and the reliable delivery of mail to, and visits to encourage, people forced out of their homes by disasters.

### CHARITY DONATIONS FOR DISASTER RELIEF FROM SALES OF SPECIALLY ISSUED STAMPS

Out of the sales of specially issued stamps as shown below, the Postal Service makes charity donations to groups involved in relief work for the victims of storms, floods, earthquakes, and other disasters, as well as to groups involved in disaster-prevention activities:

1. Great Hanshin-Awaji Earthquake / Philately Week - Great Hanshin-Awaji Earthquake charity postage stamps
2. Eruption of Mount Usu / Northern Paradise Series II - Eruption of Mount Usu charity postage stamps
3. Volcanic eruption on Miyake Island / Greetings from Tokyo - Volcanic Eruption on Miyake Island charity postage stamps



## FREE REMITTANCE OF DISASTER RELIEF DONATIONS

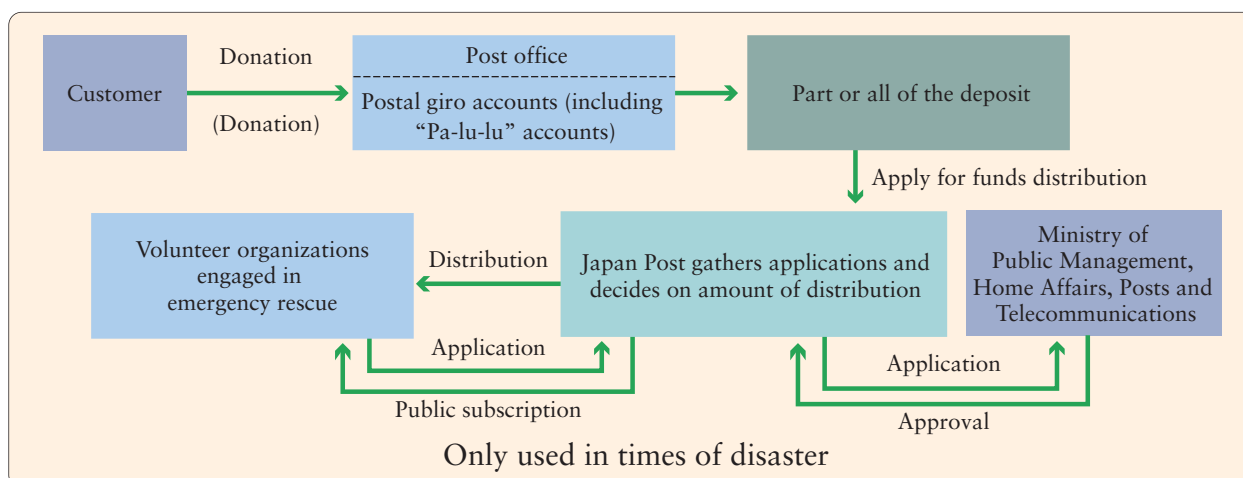
Remittance of donations to the Japanese Red Cross Society, community chest organizations, and local governments to help those affected by earthquakes or other natural disasters is handled free of charge.

Donations handled for the period of fiscal 2003 (at the end of March 2004)

Disaster	Period handled	Number of cases	Amount
Great Hanshin-Awaji Earthquake	Since Jan. 17, 1995 (continuing)	143	3.15 million
Miyakejima, Niijima, Kogushima offshore earthquake	Since July 24, 2000 (continuing)	951	24.83 million
Heavy rain in Kyushu region	Since July 22, 2003 - March 31, 2004	7,352	232.98 million
Tokachi offshore earthquake	Oct. 3, 2003 - Dec. 30, 2003	1,340	21.81 million
Typhoon no. 10	Aug. 12, 2003 - Jan. 13, 2004	3,516	51.17 million
Northern Miyagi Prefecture earthquake	July 28, 2003 - Sept. 30, 2003	3,516	72.62 million

## DISASTER VOLUNTARY AID ACCOUNT

The Disaster Voluntary Aid Account is an arrangement under which the Japan Post is given the authority to donate deposits to the accounts of volunteer organizations engaged in emergency rescue in times of emergency. Donations are thereby distributed to private volunteer groups working in disaster-stricken areas.



## EMERGENCY HANDLING OF INSURANCE CONTRACTS

In the event that Postal Life Insurance policyholders are involved in natural disasters or other emergencies, and if it is found necessary to fulfill the urgent needs of the policyholders who have suffered from such disasters, the following emergency handling of insurance contracts will be undertaken.

When the emergency handling is in effect, the content and period of such emergency handling will be posted in front of each post office.

- a) Extension of premium payment grace period
- b) Refund of premiums by way of cancellation of advance premium payment
- c) Refund of premium for the period not elapsed
- d) Payment of insurance benefit
- e) Surrender of basic contracts by policyholders
- f) Payment of refunds
- g) Loans to policyholders
- h) Payment of dividend as claimed by policyholders

Note 1: With respect to an insurance contract for which the premium payment grace period has been extended, a request may be accepted, under an extenuating circumstance, to reduce the insured amount or annuity amount instead of paying the premium that was not paid during the grace period.

Note 2: A special rate of interest (i.e., the rate equivalent to the assumed rate of interest on loans under the relevant insurance contract) will be applied to an ordinary loan subject to emergency handling.

## 3 The Community Exchanges

### ■ PARTICIPATING IN COMMUNITY EVENTS

To deepen contacts with regional communities, the post office will actively participate in various events held in the whole of Japan.

#### “Nippon Domannaka Festival,” Nagoya, Aichi Prefecture

The “Nippon Domannaka Festival,” or “Domatsuri” as it is locally referred to, is a late summer festival new to Nagoya created by the entire community and aims to have everyone dance. During the event, up to 1.5 million excited people overflow the streets of Nagoya with festivities.

The post office’s participation focuses on its young staff members from particular branches in Nagoya who enthusiastically join in the “Domatsuri.” It is a rule of the Domatsuri dance to “include one of the local folk songs and to dance holding clappers in your hands.” In fiscal 2003, 134 volunteer staff members formed the post office team “Makoto,” performing a wonderful dance and receiving loud applaud from spectators lining the road. The staff members designed their own Happi (festival jackets), choreographed their own dance, and rehearsed many times for the big day.

Furthermore, special branch offices were set up in three locations in the meeting grounds where Domatsuri letter sets and postcards were sold. The post office was able to play a part in the PR for the Domatsuri festival and receive a favorable review.

### ■ PROMOTING PHILATELY AND LETTER WRITING

#### Pen Friend Club

The Pen Friend Club is an organization for young people - primarily students in elementary school or junior or senior high school - and operates under the principles of peace, friendship and culture. Club members develop friendships, discover the pleasure of correspondence, and learn to work together in groups by exchanging letters with pen pals in Japan and other countries.

The Japanese Association of Pen Friend Clubs is a nonprofit organization that guides and assists the activities of pen pal groups. It sponsors International Letter-Writing Week (one-week period includes World Postal Day on October 9), which runs from October 6 to 12 in Japan. This association also provides other activities to promote international correspondence.



## Pen Friend Club Membership and Groups

Membership (Number of people)	Full members	Elementary school students	6,907
		Junior high school students	523
		Senior high school students	403
		Subtotal	7,833
	Associate members		303
	Special members		463
Total		8,599	
Number of groups (School)	Elementary school students		256
	Junior high school students		52
	Senior high school students		61
	Total		369

As of April 2004

Note:

Full members belong to clubs that are in schools (elementary, junior high, and senior high), consist of at least five members, and have a faculty advisor.

Associate members are students who attend schools with fewer than five members and thus join as individuals.

Special members are university students and young working people.

## Senior Pen Friend Club

Formed at a time when the rapid aging of Japanese society is already in progress, the Senior Pen Friend Club seeks to give the elderly an opportunity to enjoy cultural activities through letter writing. Activities are diverse and consist of correspondence, holding regular meetings, and publishing bulletins and collections of compositions.

## Stamp Workshops

Information sessions on stamps were held in various parts of the country in cooperation with local stamp-collecting societies, to teach people about the pleasures of stamp collecting. The sessions included practical lessons on basic knowledge of stamps and how to collect them.

## ■ “LETTER NAVI” LETTER COMPOSITION SERVICE

To widely publicize the benefits of letters as a simple, heart-warming means of communication, and to help people become better acquainted with the enjoyable aspects of letter writing, the Postal Service launched a new Internet-based service, Letter Navi. Available through the website (<http://www.post.japanpost.jp/>), this letter-composition service is designed to simplify the letter-writing process.

Users can select from among 296 sample sentences that are appropriate for such purposes as seasonal greetings or correspondence in connection with weddings, funerals, and other occasions. The website also features 173 illustrations and background patterns. People can easily create a completed piece of correspondence by choosing text and images and printing them on postcards or stationery.

Other features of the Letter Navi service site, which is available free of charge, include a list of phrases that are appropriate for each of the four seasons and a section with lore for writing letters in English.





## ■ NATIONWIDE NEW YEAR'S CARD CONTEST

Japan Post has instituted this contest to reward contestants with lovely and unique New Year's greeting cards and to encourage more people to use these cards as an opportunity to reach out to others. Japan Post sponsored a total of 52 "Nationwide Contest for New Year's Card Prints and Drawings" until fiscal 2002, and in fiscal 2003 expanded the contest categories of prints and drawings to include a new category of computer-generated art work. Japan Post also changed the contest's name to "First Nationwide New Year's Card Contest." The first contest received 41,065 entries. The contest is open to applicants in November every year.

## ■ POST OFFICE FACILITIES

In post offices throughout the country, meeting rooms were offered to regional communities to use for assemblies and meetings, and local cultural exhibits were displayed in teller lobbies in an effort for the post office to fulfill the role of a regional communication center.

## ■ VARIOUS EVENTS

By holding various events such as gardening and cooking workshops, lectures on culture and sports meetings, the post office helps to enlarge the circle of exchange in regional communities.

## ■ "MY IDEAL PIGGY BANK" CONTEST

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



Entries for the contest are screened by the organizers, representatives of supporting organizations, educators, and arts and crafts experts, and winners selected for the President of Japan Post Prize, Minister of Public Management, Home Affairs, Posts and Telecommunications Special Prize, the Minister of Education, Culture, Sports, Science and Technology Encouragement Prize, the Chairman of the Central Council for Financial Services Information Prize, the NHK Chairman Prize, etc.

## ■ CHILDREN'S POST OFFICE

A children's post office allows postal savings deposits and withdrawals to be made by children in elementary and junior high schools to help them learn about post office operations.

Children's post office activities help foster an accurate monetary sense, provide incentives to save, and spark interest in economic issues in children. Participation in children's post office activities is believed to be a practical means of cultivating a sense of mutual cooperation, responsibility, and perseverance in children. Awards are given for model children's post office activities.

## ■ COMPOSITION CONTEST

### Letter Writing Contest

The Japan Post has held the writing contest 36 times since fiscal 1968 with the goal not only of making children more familiar with letters, improving their ability to express their ideas through writing and promote the culture of letter writing in general, but more importantly to nurture children's rich spirit through written communication. From fiscal 2003 a new "Computer Illustrated Letter Section" has been added to the "Letter Composition Section," "Postcard Composition Section" and "Illustrated Letter Section" and a collection has been carried out. At the 36th contest 140,879 entries were collected. Collections are carried out around July every year.

### International Voluntary Aid Composition Contest

The Japan Post has been holding an annual International Voluntary Aid Composition Contest since 1991 in order to enhance understanding of and interest in international cooperation among the public. Entries will be judged by a panel of individuals knowledgeable about international cooperation. The Minister of Public Management, Home Affairs, Posts and Telecommunications Special Prize, the Minister of Education, Culture, Sports, Science, and Technology Prize, the President of Japan Post Prize, and other prizes will be awarded. The winning composition will be made available to the public in a collection of winning entries and on the Internet.

### Kampo Essay Contest

Since 1962, the post office has carried out the "Kampo Essay Contest," with the aim of widening the postal life insurance's spirit of mutual aid and making good use of essay education, and in fiscal 2003 it welcomed the 42nd contest by receiving 67,519 entries from 2,598 national and overseas elementary and junior high schools.

## ■ SOCIETY OF POSTAL LIFE INSURANCE POLICYHOLDERS

### Overview

The Society of Postal Life Insurance Policyholders is a voluntary organization of interested policyholders, established in 1952, to enable policyholders to express their opinions and wishes concerning the postal life insurance system and the management of its services, and to promote the common interests and welfare of policyholders.

### Organization

The Society of Postal Life Insurance Policyholders comprises Unit Society of Policyholders branches, Prefectural/Local Federations of Societies of Policyholders, and Regional Federations of Societies of Policyholders, as well as the Central Federation of Societies of Policyholders. Collection and delivery Post Offices each organize a Unit Society of Policyholders, which belongs to the Prefectural/Local Federation of Societies of Policyholders in the respective prefecture. Each Prefectural/Local Federation of Societies of Policyholders belongs to its respective Regional Federation of Societies of Policyholders, which, in turn, is organized by a Regional Bureau of Postal Services and falls collectively under the Central Federation of Societies of Policyholders. The Central Federation of Societies of Policyholders is the highest organ for the societies of policyholders throughout Japan.

## Activities

Member organizations of the Postal Life Insurance Policyholders not only cooperate in the business of postal life insurance and organize their own activities, but also hold a yearly meeting of representatives to deliberate on their annual activity plans. They also express their opinions and wishes concerning the system and management of the Postal Life Insurance Service. These opinions and wishes are summarized into proposals by the Central Federation of Societies of Policyholders. The society presents these proposals to the president of Japan Post, as well as to related organizations, and engages in a variety of other activities promoting the implementation of proposals. Many past proposals have been adopted and their impact can be seen in the management of the Postal Life Insurance Service. Examples include the raising of the upper limit of insurance coverage, the creation of new insurance products, improvements in the fund investment system, and the realization of preferential tax treatment.

### Proposals Presented by the Central Federation of Societies of Policyholders to the president of Japan Post (Fiscal 2003)

Proposals Made at the 66th Meeting of the Central Federation of Societies of Policyholders (November 12, 2003)

- Raise the income tax deduction limit on life insurance and individual annuity insurance premiums, in order to support the efforts of citizens amid a declining birthrate and aging society
- Along with making efforts to create a more solid management and maintain its mission concerning the Postal Life Insurance Service through the current structure of management, Japan Post would like to offer impartial service and promote public welfare
- Examine increasing the amount of benefits paid under postal life insurance to support citizens' efforts to sustain their own lives, so that our aging population can be affluent and active
- Provide development for a declining birthrate and aging society, diversification of life styles, products that meet a changing society and economic environment, and a complete service
- Expand opportunities to join postal life insurance and strive to raise the entrance age in order to support the livelihood of the elderly in an aging society

## 4 Activities to Improve Health

### PROMOTION OF RADIO TAISO AND MINNA NO TAISO

Promotion of Radio Taiso and Minna no Taiso

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



To encourage greater participation, events such as the Radio Calisthenics and Exercise for Everybody Festival for Ten Million People (held in Kanazawa, Ishikawa in fiscal 2003) and the Summer Radio Calisthenics and Exercise for Everybody Tour are held annually in cooperation with NHK and the National Radio Calisthenics Association.

### ■ KAMPO TELEPHONE CONSULTATION SERVICE FOR HEALTH

Since 1995, a telephone consultation service has been provided to give postal life insurance policyholders advice on health problems. The goal of this service is to contribute to greater stability in the lives of policyholders at a time when Japan is facing the issues of a declining birthrate and aging population.

Reception hours/ 9:00~21:00

Phone number/ (Tokyo) 0570-08-2222

## 5 Involvement in the International Community

### ■ THE POSTAL NETWORK BRINGS THE WORLD TOGETHER

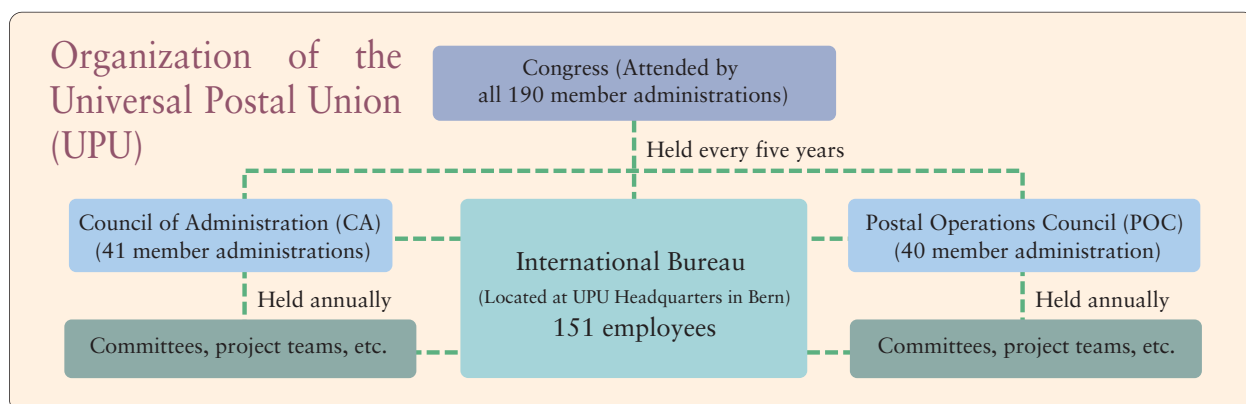
Mail services play a valuable and fundamental role as a means of communication that not only comprehensively links the entire population of a country, but also connects its citizens with people living in all other parts of the world. Japan, which exchanges mail with all countries and territories, endeavors to maintain cooperative relations with postal agencies in other countries in order to ensure the uninterrupted flow of international mail.

### ■ CONTRIBUTING TO THE UPU AND OTHER ORGANIZATIONS

#### Role of the Universal Postal Union

The Universal Postal Union (UPU) was founded in 1874, and is now a specialized agency of the United Nations. Japan joined the UPU in 1877.

When the 22nd UPU Congress, the supreme governing organ of the UPU, was held in Beijing in August 1999, Japan was elected as the director nation of both the Council of Administration and the Postal Operations Council. Japan is actively involved in the activities of the various UPU committees, working groups and project teams. It also sends staff to work in the International Bureau at the UPU headquarters and dispatches specialists there on long-term assignments.



## Japan's Proactive Involvement

Japan is making an effort to help promote the computerization of processes in international mail service, such as the EMS tracking systems. It provides funds to the UPU for purposes such as systems development and the installation of equipment in postal facilities in the Asia-Pacific region. Japan's proactive involvement in this realm also includes such activities as dispatching specialists to developing countries.

Furthermore, according to suggestions made by Japan, the United States and Britain, Japan is actively contributing to human resources and finances, although the EMS Cooperation System is established in UPU to strengthen activities concerning EMS's global quality improvement.

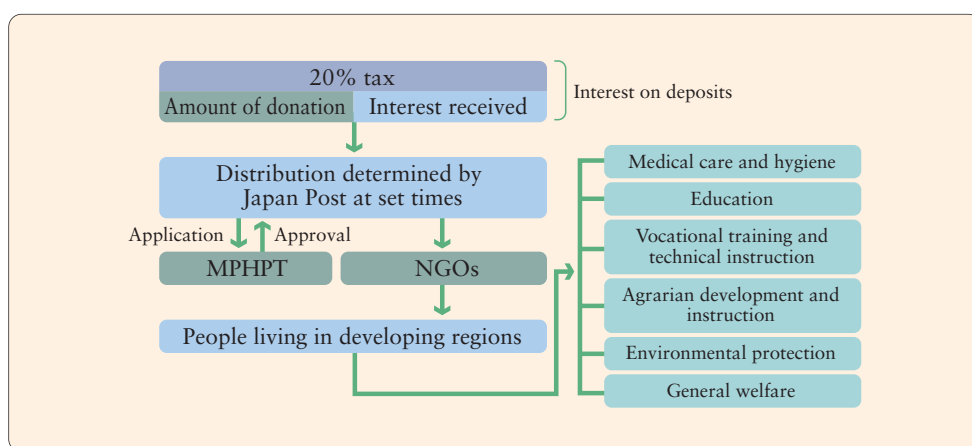
### COOPERATION WITH THE APPU

Founded in 1962, the Asian-Pacific Postal Union (APPU) is a restricted union based on the charter of the UPU and presently has 29 member nations. Japan joined the APPU in 1968 and has since played a central role through such activities as hosting the annual meeting of its Executive Council in 1993, and working on the revamping of the origination's structure. In addition, Japan supports the APPU's Asian-Pacific Postal Training Center (APPTC) not only by making financial contributions, but also by sending specialists to serve as training consultants.

### POSTAL SAVINGS FOR INTERNATIONAL VOLUNTARY AID

Customers can choose to donate a fixed percentage (in units of 10%, from 20% to 100%) of the after-tax interest accrued on Ordinary Savings to a wide range of aid projects in developing regions around the world. Interest donated is distributed among nongovernmental organizations (NGOs) to improve the welfare of people living in developing regions, chiefly in the area of basic necessities (medicine, sanitation, environment, education, etc.).

At the end of fiscal 2003, approximately 27.13 million applications for International Voluntary Aid had been submitted.



Volume of Postal Savings for International Voluntary Aid Balance (Fiscal 2004)

Amount of distribution	Approx. ¥100million (cumulative total of approx. 18.17 billion)
Recipient NGOs	64
Recipient projects	64

Details concerning the distribution of funds from Postal Savings for International Voluntary Aid can be obtained at your local post office. Or please make contact with the Postal Savings Consulting Counter (0120-108420). This information can also be obtained at the Postal Savings for International Voluntary Aid at <http://www.yu-cho.japanpost.jp/volunteer-post/>.

## Postal Savings for International Voluntary Aid Briefing Sessions

NGO activity briefing sessions and panel exhibitions are held to report on the state of developing regions and NGO volunteer work in such regions.

The Postal Savings for International Voluntary Aid Symposium is an event held to study international cooperation with the public through panel discussions by experts, NGO representatives, etc.

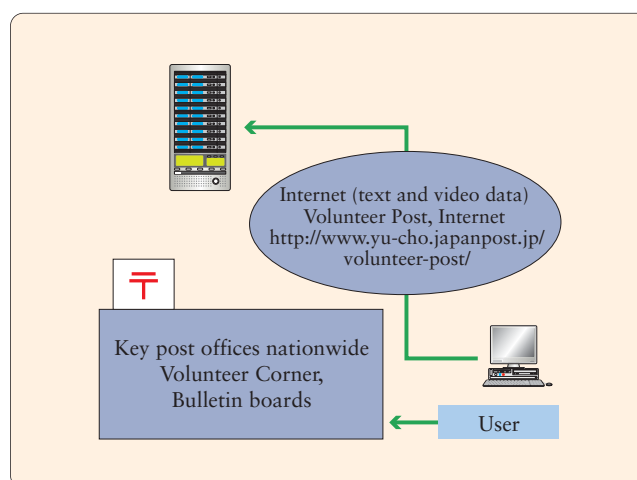
### ■ VOLUNTEER POST (PROVISION OF VOLUNTEER ACTIVITY INFORMATION)

The post office is being promoted as an information center for overseas volunteer activity information, and provides the following information in support of a broad range of volunteer activities.

#### Volunteer Information Service

An activity summary of Postal Savings for International Voluntary Aid, as well as information regarding donation use, the current state of developing regions, activities by volunteer organizations, etc., are being provided via:

- (1) Internet  
(<http://www.yu-cho.japanpost.jp/volunteer-post/>)
- (2) Volunteer Corner  
Volunteer Corners have been set up at 1,300 ordinary post offices to provide information on volunteer activities, etc.



### ■ COOPERATION OF THE INTRODUCTION AND DEVELOPMENT OF FOREIGN POSTAL SAVINGS SYSTEMS

Around the world in recent years, the importance of the postal savings system has been realized again as one of the methods for improving the maintenance of social capital and people's living. In particular, the introduction of postal savings systems has increased in various Asian countries, and the interest in Japan's postal savings system has increased.



In fiscal 2003, six trainees were accepted from Cambodia and five from Vietnam, who trained in the introduction and development of postal savings services. Also, an international effort is underway with the cooperation of the Universal Postal Union (UPU) and the World Savings Bank Institute (WSBI), which dispatched specialists to Nepal, Uzbekistan, Kiribati, Mongolia, Kazakhstan and Laos to assist with postal savings services and international remittance services.

## 6 International Exchanges

### PROMOTION OF INTERNATIONAL COOPERATION

#### Cooperation Extended on the Basis of Official Development Assistance

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

Additionally, in response to the escalating need on the part of some countries' postal services for training in express mail operations, the annual Rapid Mail Service Course was introduced in fiscal 1998. The Postal Services Agency also dispatches specialists on long-term assignments to help improve postal operations in developing countries.

#### Personnel and Information Exchanges with Overseas Postal Administrations

Through the personnel exchange program of APPU, Japan exchanges both people and information with other member countries. These two-way exchanges, which encompass instruction and training, cover such subjects as the management and mechanization of postal operations in individual countries. Furthermore, top postal executives and others—from not only developing countries but also other countries—travel to Japan to learn about and observe the business management of postal services in Japan and its progress in the field of computerization and mechanization.

### ACTIVITIES AS A MEMBER OF THE UNIVERSAL POSTAL UNION

In addition to serving as chair of the Postal Financial Services Project Team of the Universal Postal Union (UPU), which established and promotes development strategies for financial operations, Japan Post provides technical support for the introduction and improvement of postal financial operations, promotes the electronic data interchanges of international remittance services between postal administrations around the world, and also dispatches experts to the UPU International Bureau on long-term postings and has taken on a leading role in the development and spread of postal financial services.

In November 2003, the "Workshop on the UPU Postal Financial Services" was held in Bangkok, Thailand, under the auspices of the UPU. At the workshop, the action plan "POST\*SERFIN 2000-2004," adopted at the 1999 UPU Beijing Convention was summarized under the theme, "Postal Financial Services Action Plan in the Asia Pacific Region," and discussions were carried out to integrate opinions from the Asia-Pacific region at the next UPU Convention.

At another seminar held at the same time, Japan Post studies were announced, and a conference concerning the expansion and promotion of electronic remittance system was held in order to provide international remittance services that met customer needs.

## ■ WORLD SAVINGS BANKS INSTITUTE MEMBERSHIP AND ACTIVITIES

There are numerous personal savings institutions in the world, including postal savings institutions, and the World Savings Banks Institute (WSBI) is established as the international organization for these institutions. The WSBI engages in research into various issues related to savings and savings banks, including the promotion of savings and the protection of users, while supporting savings bank activities around the world. Japan Post plays an active role in the WSBI.

In October 2003, the “6th Postal Savings Banks Forum” was held in Brussels, Belgium, with the aim of strengthening connections and promoting the exchange of information between postal savings institutions. Twenty-four institutions from 21 countries participated in the forum, with lively debates and presentations from bureaus concerning problems such as the relationship between the postal organizations and postal savings institutions, and “microfinance (financial services for people with low living standards and small businesses in developing countries).” Japan Post has served as chair since the 1st forum, and as the chair, and also led discussions in this forum.

Note: The WSBI has 104 member institutions from 89 countries as of June 2004.

## ■ EXCHANGE WITH OVERSEAS POSTAL AGENCIES

From 2003 Japan Post has begun exchange of personnel with overseas postal agencies with the goal of personnel training, strengthening relations with overseas postal agencies, and gathering information relating to these agencies.

In January 2003, an employee from Swiss Post was welcomed, and this person learned about the Japanese Postal Savings system. Moreover, Japan Post dispatched personnel to Swiss Post in September 2003 and to the Deutsche Post Bank in January 2004 to train them in areas such as investment trusts.